

Xu Yuan Packaging Technology
Co., Ltd. and subsidiaries
Consolidated Financial Statements
for the Nine Months Ended
September 30, 2023 and 2022 and
Independent Auditors' Review
Report

Address: No. 10, Alley 33, Lane 98, Xinlong Road, Xintpu
Township, Hsinchu County 305046, Taiwan (R.O.C.)
Tel: (03)5982727

§Table of Contents§

Items	Page	Note of the financial statements
I. Cover	1	-
II. Table of Contents	2	-
III. Independent Auditors' Review Report	3~4	-
IV. Consolidated balance sheet	5	-
V. Consolidated Statements of Comprehensive Income	6~7	-
VI. Consolidated Statement of Changes in Equity	8	-
VII. Consolidated Statement of Cash Flow	9~10	-
VIII. Notes to consolidated financial statements		
(I) Corporate Milestones	11	I
(II) Approval Date and Procedures of the Financial Statements	11	II
(III) Application of New Standards, Amendments and Interpretations	11~12	III
(IV) Summary of Significant Accounting Policies	12~13	IV
(V) Sources of Uncertainties to Significant Account Judgments, Estimates, and Assumptions	13	V
(VI) Description of important accounting items	13~36	VI~XXVII
(VII) Related party transactions	37~39	XXVIII
(VIII) Assets pledged as collateral	39	XXIX
(IX) Significant contingencies and unrecognized contractual commitments	40	XXX
(X) Assets and liabilities denominated in foreign currencies with significant impacts	40~41	XXXI
(XI) Disclosures in notes		
1. Information about significant transactions	42~43	XXXII
2. Information on reinvested businesses	43	XXXII
3. Investment in Mainland China	43~44	XXXII
4. Information of major shareholders	44	XXXII
5. Business relationship and important transactions between the parent company and its subsidiaries	44~45	XXXII
(XII) Segment Information	45	XXXIII

Independent Auditors' Review Report

To: Xu Yuan Packaging Technology Co., Ltd.

Introduction

We have reviewed the accompanying consolidated financial statements of Xu Yuan Packaging Technology Co., Ltd. and subsidiaries, which comprise of the consolidated balance sheets as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the Nine months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of September 30, 2023 and 2022, the combined total assets of these non-significant subsidiaries were NT\$363,731 thousand and NT\$670,366 thousand, representing 18% and 34%, respectively, of the consolidated total assets; the combined total liabilities of these non-significant subsidiaries were NT\$109,529 thousand and NT\$97,986 thousand, representing 10% and 11%; for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the amounts of the combined comprehensive income of these non-significant subsidiaries were NT\$2,680 thousand, NT\$17,422 thousand, NT\$37,550 thousand and NT\$39,613 thousand, respectively, representing 64%, 70%, 180% and 7% respectively, of the consolidated total comprehensive income. As also disclosed in Note 12, as of September 30, 2023 and 2022, the investments accounted for using the equity method were NT\$26,373 thousand and NT\$36,079 thousand, respectively; and for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$321 thousand, NT\$576 thousand, NT\$1,693 thousand and NT\$1,414 thousand. The amounts of the related equity-method investments as well as the additional disclosures in Note 32 to the consolidated financial statements were based on the equity-method investees' unreviewed financial statements for the same reporting periods.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and the equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte Taiwan
CPA Shin-Tung Lin

CPA Ming-Hui Chen

Financial Supervisory Commission Approval
Reference Number
Letter Ref. Jin-Guan-Zheng-VI No.
1110348898

Securities and Futures Bureau Approval Reference
Number
Letter Ref. Tai-Cai-Zheng-VI No. 0930128050

November 9, 2023

Xu Yuan Packaging Technology Co., Ltd. and subsidiaries
Consolidated balance sheet
September 30, 2023 and 2022
(Reviewed, Not Audited)

Unit: In Thousands of New Taiwan Dollars

Code	Assets	September 30, 2023		December 31, 2022		September 30, 2022		Code	Liabilities and equity	September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
1100	Current assets							2100	Current liabilities						
	Cash (Notes IV and XXVII)	\$ 119,930	6	\$ 199,646	10	\$ 149,293	8		Short-term borrowings (Notes XVII, XXVII and XXIX)	\$ 218,728	11	\$ 122,301	6	\$ 45,000	2
1136	Current Financial assets at amortized cost (Notes VII, XXVII and XXIX)	88,567	4	617	-	5,670	-	2130	Contract liabilities - Current (Note XXII)	13,385	1	9,521	-	13,127	1
1170	Notes and accounts receivable - Net (Notes VIII, XVII, XXII, XXVII and XXIX)	309,501	16	301,909	15	309,668	16	2150	Notes payable (Note XVIII and XXVII)	88,651	4	50,633	3	50,384	3
1180	Accounts receivable - related parties (Notes XXVII and XXVIII)	14,084	1	5,690	-	3,876	-	2170	Accounts payable (Note XVIII and XXVII)	96,622	5	118,827	6	118,696	6
1210	Other receivables - related party (Notes XXVII and XXVIII)	6,593	-	5,976	-	7,621	-	2180	Accounts payable - related parties (Note XXVII and XXVIII)	829	-	339	-	621	-
1220	Current income tax assets (Notes XXIV)	-	-	11	-	-	-	2230	Current income tax liabilities (Notes XX IV)	86	-	27	-	67	-
130X	Inventories (Notes IX)	319,838	16	323,216	17	339,682	18	2280	Lease liabilities - Current (Notes XIV)	8,752	-	7,742	-	5,942	-
1479	Other current assets (Notes XVI and XXVIII)	105,273	5	96,679	5	88,854	5	2322	Long-term borrowings due within one year (Notes XVII, XXVII and XXIX)	102,802	5	93,561	5	95,829	5
11XX	Total current assets	963,786	48	933,744	47	904,664	47	2399	Other payables and other current liabilities (Note XIX)	59,148	3	94,068	5	69,216	4
1550	Non-current assets							21XX	Total of current liabilities	589,003	29	497,019	25	398,882	21
1600	Investment under equity method (Notes XXIX)	26,373	1	35,923	2	36,079	2	2540	Non-current liabilities						
1755	Property, plant and equipment (Notes XIII and XXIX)	903,199	45	872,567	44	884,161	45	2580	Long-term borrowings (Notes XVII, XXVII and XXIX)	447,239	22	469,515	24	505,315	26
1805	Right-of-use assets (Notes XIV)	24,571	1	30,773	2	8,303	-	2670	Lease liabilities - Non-current (Notes XIV)	15,224	1	17,696	1	1,573	-
1821	Goodwill	10,922	1	10,922	1	10,922	1	25XX	Other non-current liabilities	7,062	1	7,574	-	-	-
1840	Intangible assets (Notes XV)	3,000	-	3,777	-	3,749	-	25XX	Total non-current liabilities	469,525	24	494,785	25	506,888	26
1915	Deferred income tax assets (Notes XXIV)	4,962	-	8,189	-	8,189	-	2XXX	Total liabilities	1,058,528	53	991,804	50	905,770	47
1920	Prepayment for equipment purchase	50,292	3	66,621	3	69,142	4		Equity attributable to owners of the Company (Notes XXI)						
15XX	Refundable deposits (Note XXVII)	14,439	1	15,765	1	17,951	1	3110	Common stock/share capital	548,171	27	548,171	28	548,171	28
15XX	Total non-current assets	1,037,758	52	1,044,537	53	1,038,496	53	3200	Additional paid-in capital	89,341	5	89,341	4	89,341	5
									Retained earnings						
								3310	Legal reserve	40,584	2	15,774	1	15,774	1
								3320	Special reserves	64,746	3	38,179	2	38,179	2
								3350	Undistributed earnings (losses to be compensated)	133,907	7	248,097	12	291,140	15
								3300	Total retained earnings	239,237	12	302,050	15	345,093	18
								3400	Other equity	(52,472)	(3)	(64,746)	(3)	(51,736)	(3)
								3500	Treasury stock	(9,450)	(-)	-	-	-	-
								31XX	Total equity of the Company	814,827	41	874,816	44	930,869	48
								36XX	Non-controlling interests (Notes XI and XXI)	128,189	6	111,661	6	106,521	5
								3XXX	Total equity	943,016	47	986,477	50	1,037,390	53
1XXX	Total assets	\$ 2,001,544	100	\$ 1,978,281	100	\$ 1,943,160	100		Total liabilities and equity	\$ 2,001,544	100	\$ 1,978,281	100	\$ 1,943,160	100

The accompanying notes form part of the consolidated financial statements.

Chairman: Huang, Nan-yuan

Manager: Chuang, Ya-Ping

Accounting supervisor: Yang, Su-Huan

Xu Yuan Packaging Technology Co., Ltd. and subsidiaries

Consolidated Statements of Comprehensive Income

Unit: NTD thousand, except for earnings (losses) per share at NT\$1

(In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not

Audited)

Code		For the Three Months Ended September 30				For the Nine Months Ended September 30			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Net operating revenue (Notes XXII and XXVIII)	\$286,388	100	\$326,697	100	\$872,899	100	\$963,770	100
5000	Operating cost (Notes IX, XXIII and XXVIII)	(237,014)	(83)	(287,910)	(88)	(730,731)	(84)	(830,668)	(86)
5900	Gross profit	49,374	17	38,787	12	142,168	16	133,102	14
5920	(unrealized) gain on sales	—	—	(1)	—	(1,045)	—	2,454	—
5950	Realized gross profit	49,374	17	38,786	12	141,123	16	135,556	14
	Operating expenses (Notes XXIII and XXVIII)								
6100	Sales and marketing expenses	(16,858)	(6)	(18,728)	(6)	(53,453)	(6)	(62,719)	(6)
6200	Administrative expenses	(29,978)	(10)	(27,041)	(8)	(90,133)	(10)	(110,497)	(11)
6300	R&D expenses	(2,218)	(1)	(2,284)	(1)	(6,501)	(1)	(6,129)	(1)
6000	Total operating expenses	(49,054)	(17)	(48,053)	(15)	(150,087)	(17)	(179,345)	(18)
6900	Net operating income (loss)	320	—	(9,267)	(3)	(8,964)	(1)	(43,789)	(4)
	Non-operating income and expense								
7100	Interest revenue (Notes XXIII)	2,927	1	355	—	5,801	1	817	—
7010	Other income (Notes XXIII)	—	—	—	—	—	—	6	—
7020	Other gains and losses (Notes XXIII)	6,525	2	18,490	6	24,659	3	580,838	60

(Continued on next page)

(Continued from previous page)

Code		For the Three Months Ended September 30				For the Nine Months Ended September 30			
		Amount	%	Amount	%	Amount	%	Amount	%
7050	Finance cost (Notes XXIII)	(\$ 5,638)	(2)	(\$ 3,689)	(1)	(\$ 15,305)	(2)	(\$ 13,260)	(1)
7060	Share of profit and loss of associates accounted for using the equity method (Notes XII)	<u>321</u>	-	<u>576</u>	-	<u>1,693</u>	-	<u>1,414</u>	-
7000	Total non-operating income and expenses	<u>4,135</u>	<u>1</u>	<u>15,732</u>	<u>5</u>	<u>16,848</u>	<u>2</u>	<u>569,815</u>	<u>59</u>
7900	Income before tax	4,455	1	6,465	2	7,884	1	526,026	55
7950	Income tax expenses (Notes XXIV)	(<u>3,275</u>)	(<u>1</u>)	(<u>6</u>)	-	(<u>5,269</u>)	(<u>1</u>)	(<u>1,572</u>)	-
8200	Current net profit	1,180	-	6,459	2	2,255	-	524,454	55
	Other comprehensive income								
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange difference on translation of the financial statements of foreign operations (Notes XXI)	<u>3,027</u>	<u>1</u>	<u>18,367</u>	<u>6</u>	<u>18,551</u>	<u>2</u>	<u>22,904</u>	<u>2</u>
8500	Total comprehensive income for the year	<u>\$ 4,207</u>	<u>1</u>	<u>\$ 24,826</u>	<u>8</u>	<u>\$ 20,806</u>	<u>2</u>	<u>\$ 547,358</u>	<u>57</u>
	Net profit (loss) attributable to:								
8610	Owners of the Company	\$ 1,334	-	\$ 9,956	3	(\$ 7,996)	(1)	\$ 518,193	54
8620	Non-controlling interests	(<u>154</u>)	-	(<u>3,497</u>)	(1)	<u>10,251</u>	<u>1</u>	<u>6,261</u>	-
8600		<u>\$ 1,180</u>	-	<u>\$ 6,459</u>	<u>2</u>	<u>\$ 2,255</u>	-	<u>\$ 524,454</u>	<u>54</u>
	Total comprehensive income attributable to:								
8710	Owners of the Company	\$ 3,520	1	\$ 23,519	7	\$ 4,278	-	\$ 535,618	56
8720	Non-controlling interests	<u>687</u>	-	<u>1,307</u>	<u>1</u>	<u>16,528</u>	<u>2</u>	<u>11,740</u>	<u>1</u>
8700		<u>\$ 4,207</u>	<u>1</u>	<u>\$ 24,826</u>	<u>8</u>	<u>\$ 20,806</u>	<u>2</u>	<u>\$ 547,358</u>	<u>57</u>
	Earnings (losses) per share (Note XXV)								
9750	Basic	<u>\$ 0.02</u>		\$ 0.18		(\$ 0.15)		\$ 9.45	
9850	Diluted	<u>\$ 0.02</u>		\$ 0.18		(\$ 0.15)		\$ 9.27	

The accompanying notes form part of the consolidated financial statements.

Chairman: Huang, Nan-yuan Managerial Officer: Chuang, Ya-Ping Accounting supervisor: Yang, Su-Huan

Xu Yuan Packaging Technology Co., Ltd. and subsidiaries
Consolidated Statement of Changes in Equity
January 1 to September 30, 2023 and 2022
(Reviewed, Not Audited)

Unit: In Thousands of New Taiwan Dollars

Equity attributable to owners of the Company

Code		Common stock/share capital		Retained earnings			Other items of equity	Treasury stock	Total	Non-controlling interests	Total equity	
		Shares (In Thousand)	Amount	Additional paid-in capital	Legal reserve	Special reserves	(Losses to be compensated) undistributed earnings					Exchange difference on translation of financial statements of foreign operations
A1	Balance as of January 1, 2022	54,817	\$ 548,171	\$ 89,341	\$ 15,774	\$ 38,179	(\$ 227,053)	(\$ 69,161)	\$ -	\$ 395,251	\$ 94,781	\$ 490,032
D1	Net profit for the six months ended September 30, 2022	-	-	-	-	-	518,193	-	-	518,193	6,261	524,454
D3	Other comprehensive income (loss) for the six months ended September 30, 2022, net of income tax	-	-	-	-	-	-	17,425	-	17,425	5,749	22,904
D5	Total comprehensive income for the six months ended September 30, 2022, net of income tax	-	-	-	-	-	518,193	17,425	-	535,618	11,740	547,358
Z1	Balance as of September 30, 2022	54,817	\$ 548,171	\$ 89,341	\$ 15,774	\$ 38,179	\$ 291,140	(\$ 51,736)	\$ -	\$ 930,869	\$ 106,521	\$ 1,037,390
A1	Balance as of January 1, 2023	54,817	\$ 548,171	\$ 89,341	\$ 15,774	\$ 38,179	248,097	(64,746)	-	874,816	111,661	986,477
	Appropriation of 2022 enrnings											
B1	Legal reserve	-	-	-	24,810	-	(24,810)	-	-	-	-	-
B3	Special reserve	-	-	-	-	26,567	(26,567)	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(54,817)	-	-	(54,817)	-	(54,817)
D1	Net income (loss) for the six months ended September 30, 2023	-	-	-	-	-	(7,996)	-	-	(7,996)	10,251	2,255
D3	Other comprehensive income (loss) for the six months ended September 30, 2023, net of income tax	-	-	-	-	-	-	12,274	-	12,274	6,277	18,551
D5	Total comprehensive income for the six months ended September 30, 2023, net of income tax	-	-	-	-	-	(7,996)	12,274	-	4,278	16,528	20,806
L1	Treasury stock acquired	-	-	-	-	-	-	-	(9,450)	(9,450)	-	(9,450)
Z1	Balance as of September 30, 2023	54,817	\$ 548,171	\$ 89,341	\$ 40,584	\$ 64,746	\$ 133,907	(\$ 52,472)	(\$ 9,450)	\$ 814,827	\$ 128,189	\$ 943,016

The accompanying notes form part of the consolidated financial statements.

Chairman: Huang, Nan-yuan

Managerial Officer: Chuang, Ya-Ping

Accounting supervisor: Yang, Su-Huan

Xu Yuan Packaging Technology Co., Ltd. and subsidiaries
Consolidated Statement of Cash Flow
January 1 to September 30, 2023 and 2022
(Reviewed, Not Audited)

Unit: In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flow from operating activities		
A10000	Current income before tax	\$ 7,884	\$ 526,026
A20000	Income and expenses items:		
A20100	Depreciation expense	85,779	73,163
A20200	Amortized expenses	777	791
A20900	Financial cost	15,305	13,260
A21200	Income from interest	(5,801)	(817)
A22300	Share of profit and loss of associates accounted for using the equity method	(1,693)	(1,414)
A22500	Gain on disposal of property, plant and equipment	(644)	(3,696)
A23000	Gains on disposal of non-current assets to be sold	-	(529,678)
A23900	Unrealized gain (realized) on sales between affiliates	1,045	(2,454)
A24100	Net gain on foreign currency exchange	(6,447)	(5,733)
A29900	Gain on lease modification	-	(1)
A30000	Net changes in operating assets and liabilities		
A31130	Notes and accounts receivable	(3,607)	35,814
A31140	Accounts receivable - related parties	(7,684)	3,880
A31190	Other receivables - related parties	(617)	4,009
A31200	Inventory	3,378	2,519
A31240	Other current assets	(6,486)	9,883
A32125	Contract liabilities	3,864	(8,767)
A32130	Notes payable	38,018	6,070
A32150	Accounts payable	(22,223)	(37,432)
A32160	Accounts payable - related parties	183	(108)
A32230	Other payables and other current liabilities	(36,293)	32,892
A32990	Other current liabilities	(512)	-
A33000	Cash inflow from operations	64,226	118,207
A33300	Interest paid	(326)	-
A33500	Income tax paid	(2,332)	(1,660)
AAAA	Net cash inflow from operating activities	<u>61,568</u>	<u>116,547</u>

(Continued on next page)

(Continued from previous page)

Code		2023	2022
	Cash flows from investing activities		
B00040	Acquisition of Financial assets at amortized cost	(\$ 124,674)	\$ -
B00050	Proceeds from disposal of Financial assets at amortized cost for sale	40,537	17,117
B02600	Proceeds from disposal of non-current assets held for sale	-	816,256
B02700	Acquisition of property, plant and equipment	(55,929)	(45,703)
B02800	Proceeds from disposal of property, plant, and equipment	6,258	6,529
B03800	Decrease in refundable deposits	1,326	61
B07100	Increase in prepaid equipment purchase	(17,770)	(42,672)
B07500	Interest received	3,810	817
B07600	Dividends from associate received	<u>9,239</u>	<u>-</u>
BBBB	Net cash (outflows) inflows from investing activities	<u>(137,203)</u>	<u>752,405</u>
	Cash flow from financing activities		
C00100	Increase in short-term borrowings	132,771	107,060
C00200	Decrease in short-term borrowings	(36,344)	(246,070)
C01600	Proceeds from long-term debt	5,573	-
C01700	Repayments of long-term debt	(20,342)	(721,365)
C03100	Decrease in guarantee deposits	-	(1,335)
C04020	Repayments of principal portion of lease liabilities	(7,731)	(7,825)
C04500	Cash dividend	(54,817)	-
C04900	Treasury stock acquired	(9,450)	-
C05600	Interest paid	<u>(13,852)</u>	<u>(14,173)</u>
CCCC	Net cash outflow from financing activities	<u>(4,192)</u>	<u>(883,708)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>111</u>	<u>458</u>
EEEE	Net decrease in cash	(79,716)	(14,298)
E00100	Cash at beginning of year	<u>199,646</u>	<u>163,591</u>
E00200	Cash at end of year	<u>\$ 119,930</u>	<u>\$ 149,293</u>

The accompanying notes form part of the consolidated financial statements.

Chairman: Huang, Nan-yuan

Managerial Officer: Chuang, Ya-Ping

Accounting supervisor: Yang, Su-Huan

Xu Yuan Packaging Technology Co., Ltd. and subsidiaries
Notes to consolidated financial statements
For The Nine Months Ended September 30, 2023 And 2022
(Amounts in NTD thousand unless stated otherwise)
(Reviewed, Not Audited)

I. Corporate Milestones

Xu Yuan Packaging Technology Co., Ltd. (hereinafter referred to as "Xu Yuan Company") was approved for establishment on October 26, 2004. The main business includes manufacturing and retailing of heat shrinkable film, tube-sleeping plastic packaging materials, machinery and equipment manufacturing, mould manufacturing and retailing, other chemical product wholesale, product design, and international trade.

Xu Yuan Company's shares were listed on the Taipei Exchange on November 23, 2012.

The consolidated financial statements of Xu Yuan Company are presented in the Company's functional currency, the New Taiwan dollar.

Hereinafter, Xu Yuan Company and its subsidiaries are collectively referred to as the Company.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved by the Board of Directors on November 9, 2023.

III. Application of New Standards, Amendments and Interpretations

- (1) The first adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and Standing Interpretations Committee Interpretations (SIC) (collectively, the "IFRSs") that have been endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The amendments to the IFRSs endorsed and issued into effect by the FSC will not result in a material change in the Company's accounting policies.

- (2) The IFRSs endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

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

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

- (3) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/Amended/Revised Standards and Interpretations</u>	<u>Effective date published by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets between Investors and Their Affiliates or Joint Ventures"	To be determined
IFRS 17 "Insurance contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 – comparative information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless otherwise specified, the aforesaid new/amended/revised standards or interpretations is effective for the annual reporting periods beginning on or after the respective dates.

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

As of the publication date of the consolidated financial statements, the Company continues to assess the above-mentioned standards and amendments to the interpretations on the Company's financial position and financial performance, and will disclose relevant impacts when the evaluation is completed.

IV. Summary of Significant Accounting Policies

(1) Compliance Statement

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting," endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC (collectively, "Taiwan-IFRSs").

(II) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention:

The fair value measurement is divided into Level 1 to Level 3 according to the observability and significance of the relevant input value:

1. Level 1 input value: Refers to the quotation (unadjusted) of the same asset or liability in an active market on the measurement date.
2. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. price) or indirectly (i.e. inference from price).
3. Level 3: Unobservable inputs for the asset or liability.

(III) Basis of consolidation

The consolidated financial statements contain the financial statements of Xu Yuan Company and the entities controlled by Xu Yuan Company (subsidiaries). Adjustments have been made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's. All intra-group transactions, balances, income, and expenses are eliminated in full in the consolidated financial statements. The total comprehensive income

of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if the non-controlling interests become a deficit.

Please refer to Notes XI and XXXII for details of subsidiaries, shareholding ratio and business items.

(IV) Basis of consolidation

Except for the following, refer to the summary of significant accounting policies and basis of preparation in the consolidated financial statements for the year ended December 31, 2022.

1. Retirement Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

V. Sources of Uncertainties to Significant Account Judgments, Estimates, and Assumptions

When adopting accounting policy, the management of the Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from these estimates.

The Company has taken the recent development of COVID-19 and the possible impact on the economic environment into its consideration of important accounting estimates related to cash flow estimates, growth rate, discount rate, and profitability. The management will continue to review the estimates and basic assumptions.

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2022 for the material accounting judgments and key sources of estimation uncertainty.

VI. Cash

	September 30, 2023	December 31, 2022	September 30, 2022
Inventory of cash and allowances	\$ 712	\$ 609	\$ 768
Check deposits and demand deposits at banks	<u>119,218</u>	<u>199,037</u>	<u>148,525</u>
	<u>\$ 119,930</u>	<u>\$ 199,646</u>	<u>\$ 149,293</u>

The interest rate ranges of deposits in banks at the balance sheet date are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Bank deposits	0.001%~1.5%	0.001%~2.75%	0.001%~2.75%

VII. Financial assets at amortized cost

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Domestic investments			
Pledge time deposit(2)	\$ 67,767	\$ -	\$ -
Pledge demand deposit(2)	-	617	5,670
Time deposits with original maturities of more than 3 months(3)	<u>20,800</u>	<u>-</u>	<u>-</u>
	<u>\$ 88,567</u>	<u>\$ 617</u>	<u>\$ 5,670</u>

1. Refer to Note XXVII for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
2. Refer to Note XXIX for information relating to investments in financial assets at amortized cost pledged as security.
3. In September 30, 2023, the effective interest rate of 4.50%.

VIII. Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable</u>			
Measured at amortized cost			
Total carrying amount	\$ 56,115	\$ 47,673	\$ 51,052
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>56,115</u>	<u>47,673</u>	<u>51,052</u>
<u>Trade receivable</u>			
Measured at amortized cost			
Total carrying amount	266,797	267,521	271,954
Loss allowance	(<u>13,411</u>)	(<u>13,285</u>)	(<u>13,338</u>)
	<u>253,386</u>	<u>254,236</u>	<u>258,616</u>
	<u>\$ 309,501</u>	<u>\$ 301,909</u>	<u>\$ 309,668</u>

The Company's credit period for sales of goods is 120 days from current to monthly settlement, and no interest is accrued on accounts receivable. The Company has defined credit and accounts receivable management regulations to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Company will review the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss has been recognized for the irrecoverable receivables. Accordingly, the management of the Company believes that the Company's credit risk has been significantly reduced.

The Company recognizes the loss allowance for accounts receivable based on the lifetime expected credit losses. The expected credit losses throughout the duration are calculated using a provision matrix, which takes into account customers' past default record and current financial position, industry economic conditions, and industry prospects. As the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, the reserve matrix does not further divide the customer groups, and only sets the expected credit loss rate based on the number of overdue days of the accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect to recover the amount, the Company directly writes off the relevant accounts receivable, but will continue to collect the receivables, and the recovered amount is recognized in profit or loss.

The Company's allowance for loss of accounts receivable based on the reserve matrix is as follows:

September 30, 2023

	Expected credit loss rate	Total carrying amount	Allowance for loss (Expected credit losses throughout the duration)	Amortized cost
Not overdue	0.01%	\$ 226,028	(\$ 30)	\$ 225,998
Past due by 1 to 60 days	0.01%	17,082	(72)	17,010
Past due by 61 to 120 days	51.02%	441	(225)	216
Past due by 121 to 180 days	4.52%	376	(17)	359
Past due by 181 to 240 days	7.74%	465	(36)	429
Past due by 241 to 360 days	7.86%	1,259	(99)	1,160
Overdue for more than 361 days	61.16%	<u>21,146</u>	(<u>12,932</u>)	<u>8,214</u>
Total		<u>\$ 266,797</u>	(<u>\$ 13,411</u>)	<u>\$ 253,386</u>

December 31, 2022

	Expected credit loss rate	Total carrying amount	Allowance for loss (Expected credit losses throughout the duration)	Amortized cost
Not overdue	0.08%	\$ 217,240	(\$ 184)	\$ 217,056
Past due by 1 to 60 days	0.51%	20,504	(105)	20,399
Past due by 61 to 120 days	4.73%	4,460	(211)	4,249
Past due by 121 to 180 days	4.03%	1,116	(45)	1,071
Past due by 181 to 240 days	12.55%	3,227	(405)	2,822
Past due by 241 to 360 days	10.40%	6,009	(625)	5,384
Overdue for more than 361 days	78.25%	<u>14,965</u>	(<u>11,710</u>)	<u>3,255</u>
Total		<u>\$ 267,521</u>	(<u>\$ 13,285</u>)	<u>\$ 254,236</u>

September 30, 2022

	Expected credit loss rate	Total carrying amount	Allowance for loss (Expected credit losses throughout the duration)	Amortized cost
Not overdue	0.42%	\$ 221,975	(\$ 21)	\$ 221,954
Past due by 1 to 60 days	3.85%	22,437	(138)	22,299
Past due by 61 to 120 days	4.17%	4,589	(59)	4,530
Past due by 121 to 180 days	12.43%	1,193	(29)	1,164
Past due by 181 to 240 days	8.33%	1,660	(11)	1,649
Past due by 241 to 360 days	22.31%	5,607	57	5,550
Overdue for more than 361 days	89.86%	<u>14,493</u>	(<u>13,023</u>)	<u>1,470</u>
Total		<u>\$ 271,954</u>	(<u>\$ 13,338</u>)	<u>\$ 258,616</u>

The information about changes in the loss allowance on accounts receivable is as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Opening balance	\$ 13,285	\$ 20,510
Less: Actual write-offs in the current year	(45)	(7,396)
Foreign currency translation difference	<u>171</u>	<u>224</u>
Year-end balance	<u>\$ 13,411</u>	<u>\$ 13,338</u>

Please refer to Note XXVII "Financial instruments" (III) for information on the transfer of financial assets for the amount and related terms of the accounts receivable assigned by the Company.

Please refer to Note XXIX for the amount of accounts receivable set by the Company as collateral for borrowings.

IX. Inventory

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 87,478	\$ 112,212	\$ 104,919
Work-in-progress and semi-finished products	86,745	64,038	78,477
Raw materials	<u>145,615</u>	<u>146,966</u>	<u>156,286</u>
	<u>\$ 319,838</u>	<u>\$ 323,216</u>	<u>\$ 339,682</u>

The inventory-related costs of sales in for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were NT\$237,014 thousand, NT\$287,910 thousand, NT\$730,731 thousand and NT\$830,668 thousand, respectively.

X. Non-current Assets Held for Sale

On December 15, 2021, the Company's board of directors resolved to sell the land and buildings of the Hsinchu Factory, and on December 22, 2021, a sales contract was signed with a non-related party for a total contract price of NT\$840,379 thousand. The transfer process has been completed in March 2022. The sales proceeds substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses was recognized on the classification of these operations as held for sale.

XI. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

The entities preparing the consolidated financial statements are as follows:

Name of investment company	Name of subsidiary	Nature of business	Percentage of shareholding			Explanation
			June 30, 2023	December 31, 2022	June 30, 2022	
Xu Yuan Company	Hong Yuan Packaging Technology Co., Ltd. (Hong Yuan Company)	Manufacturing and wholesale of plastic products and related machinery and molds	100%	100%	100%	1
	XU YUAN PACKAGING TECHNOLOGY CO., LTD. (XU YUAN Company)	General investment	100%	100%	100%	1
	DASE-SEAL PACKAGING TECHNOLOGY CO., LTD. (DASE-SEAL Company)	Sales of sleeve (sticker) labeling machines and color shrink labels	100%	100%	100%	1
	XYP Japan Co., Ltd. (XYP JAPAN Company)	Sales of sleeve (sticker) labeling machines and color shrink labels	100%	100%	100%	1
	XU YUAN PACKAGING TECHNOLOGY INDIA PVT LTD. (XYP India Company)	Sales of sleeve (sticker) labeling machines and color shrink labels	100%	100%	100%	1
	Director, XYPD DO BRASIL EMBALAGENS LTDA. (XYPD Company)	Manufacturing and sale of color shrink labels	51%	51%	51%	1&2
Xu Yuan Company	PT. XUYUAN PACKAGING TECHNOLOGY INDONESIA (PT. XUYUAN Company)	Manufacturing and sales of color shrink labels and plastic products; sales of sleeve (sticker) labeling machines	62%	62%	62%	2

	PT. CHENG HONG PACKAGING TECHNOLOGY INDONESIA (PT. Chen Hong Company)	Manufacturing and sale of plastic granules and transparent film materials	10%	10%	10%	1
	PT. CHENG KUANG MACHINE PACKAGING TECHNOLOGY INDONESIA (PT. CHENG Kuang Company)	Manufacture and sale of complete sets of labeling machines and other equipment	95%	95%	95%	1
XU YUAN Company	Hongxu Packaging Machinery (Shanghai) Co., Ltd. (Shanghai Hongxu Company)	Manufacture of other plastic products	100%	100%	100%	1
Hong Yuan Company	HONG SHENG HOLDING LTD. (HONG SHENG Company)	General investment	100%	100%	100%	1
	PT. Chen Hong Company	Manufacturing and sale of plastic granules and transparent film materials	90%	90%	90%	1
	PT. CHENG Kuang Company	Manufacture and sale of complete sets of labeling machines and other equipment	5%	5%	5%	1
HONG SHENG Company	HONG TAI GLOBAL TRADING CO., LTD. (Hong Tai Company)	Sale of packaging machinery and plastic products	100%	100%	100%	1

1. This is an immaterial subsidiary for which financial statements have not been reviewed by the Company's independent accountants.
2. XYPD Company and PT.XUYUAN Company are subsidiaries with material non-controlling interests

(II) Subsidiaries with significant non-controlling equity

Name of subsidiary	Principal place of business	Percentage of shareholding and voting rights held by non-controlling interests		
		September 30, 2023	December 31, 2022	September 30, 2022
XYPD Company	Brazil	49%	49%	49%
PT. XUYUAN Company	Indonesia	38%	38%	38%

Name of subsidiary	Profit or loss allocated to non-controlling equity				Non-controlling interests		
	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	September 30, 2023	December 31, 2022	September 30, 2022
XYPD Company	\$ 1,108	(\$ 2,095)	\$ 13,909	\$ 8,099	\$ 37,277	\$ 21,643	\$ 10,302
PT. XUYUAN Company	(\$ 1,262)	(\$ 1,402)	(\$ 3,658)	(\$ 1,838)	\$ 90,912	\$ 90,018	\$ 96,219

The summarized financial information of each subsidiary is based on the amount before writing off the intercompany transactions:

XYPD Company

	September 30, 2023	December 31, 2022	September 30, 2022
Current asset	\$ 179,428	\$ 180,373	\$ 142,530
Non-current assets	96,021	93,663	93,706
Current liabilities	(165,682)	(182,125)	(210,858)
Non-current liabilities	(33,691)	(47,737)	(4,354)
Equity	\$ 76,076	\$ 44,174	\$ 21,024
Equity attributable to:			
Owners of the Company	\$ 38,799	\$ 22,531	\$ 10,722
Non-controlling interests of XYPD Company	37,277	21,643	10,302
	\$ 76,076	\$ 44,174	\$ 21,024

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Operating revenue	<u>\$ 52,935</u>	<u>\$ 39,181</u>	<u>\$ 163,739</u>	<u>\$ 128,006</u>
Current net profit(loss)	\$ 2,260	(\$ 4,275)	\$ 28,386	\$ 16,528
Other comprehensive income	<u>1,716</u>	<u>277</u>	<u>3,516</u>	<u>1,556</u>
Total comprehensive income	<u>\$ 3,976</u>	<u>(\$ 3,998)</u>	<u>\$ 31,902</u>	<u>\$ 18,084</u>
Net profit(loss) attributable to:				
Owners of the Company	\$ 1,152	(\$ 2,180)	\$ 14,477	\$ 8,429
Non-controlling interests of XYPD Company	<u>1,108</u>	<u>(2,095)</u>	<u>13,909</u>	<u>8,099</u>
	<u>\$ 2,260</u>	<u>(\$ 4,275)</u>	<u>\$ 28,386</u>	<u>\$ 16,528</u>
Total comprehensive income attributable to:				
Owners of the Company	\$ 2,028	(\$ 2,039)	\$ 16,268	\$ 9,223
Non-controlling interests of XYPD Company	<u>1,948</u>	<u>(1,959)</u>	<u>15,634</u>	<u>8,861</u>
	<u>\$ 3,976</u>	<u>(\$ 3,998)</u>	<u>\$ 31,902</u>	<u>\$ 18,084</u>
Cash flows				
Operating activities			\$ 5,025	\$ 30,672
Investing activities			(6,944)	(7,988)
Financing activities			(7,387)	(22,308)
Net cash inflow(outflow)			<u>(\$ 9,306)</u>	<u>\$ 376</u>

PT. XUYUAN Company

	September 30, 2023	December 31, 2022	September 30, 2022
Current asset	\$ 178,116	\$ 161,889	\$ 175,515
Non-current assets	187,035	190,086	199,980
Current liabilities	(125,724)	(114,888)	(122,229)
Non-current liabilities	<u>(186)</u>	<u>(201)</u>	<u>(58)</u>
Equity	<u>\$ 239,241</u>	<u>\$ 236,886</u>	<u>\$ 253,208</u>
Equity attributable to:			
Owners of the Company	\$ 148,329	\$ 146,868	\$ 156,989
PT. Non-controlling interests of XUYUAN Company	<u>90,912</u>	<u>90,018</u>	<u>96,219</u>
	<u>\$ 239,241</u>	<u>\$ 236,886</u>	<u>\$ 253,208</u>

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Operating revenue	<u>\$ 22,537</u>	<u>\$ 55,656</u>	<u>\$ 78,914</u>	<u>\$ 179,451</u>
Net profit of the year	(\$ 3,323)	(\$ 3,686)	(\$ 9,627)	(\$ 4,834)
Other comprehensive income	<u>5</u>	<u>12,282</u>	<u>11,982</u>	<u>12,411</u>
Total comprehensive income	<u>(\$ 3,318)</u>	<u>\$ 8,596</u>	<u>\$ 2,355</u>	<u>\$ 7,577</u>
Net profit attributable to:				
Owners of the Company	(\$ 2,061)	(\$ 2,284)	(\$ 5,969)	(\$ 2,996)
PT. Non-controlling interests of XUYUAN Company	<u>(1,262)</u>	<u>(1,402)</u>	<u>(3,658)</u>	<u>(1,838)</u>
	<u>(\$ 3,323)</u>	<u>(\$ 3,686)</u>	<u>(\$ 9,627)</u>	<u>(\$ 4,834)</u>
Total comprehensive income attributable to:				
Owners of the Company	(\$ 2,057)	\$ 5,330	\$ 1,461	\$ 4,698
PT. Non-controlling interests of XUYUAN Company	<u>(1,261)</u>	<u>3,266</u>	<u>894</u>	<u>2,879</u>
	<u>(\$ 3,318)</u>	<u>\$ 8,596</u>	<u>\$ 2,355</u>	<u>\$ 7,577</u>
Cash flows				
Operating activities			\$ 25,175	\$ 4,160
Investing activities			<u>(1,316)</u>	<u>(2,057)</u>
Net cash inflow			<u>\$ 23,859</u>	<u>\$ 2,103</u>

XII. Investment under equity method

	September 30, 2023	December 31, 2022	September 30, 2022
Associates that are not individually material			
SLEEVE SEAL, LLC	<u>\$ 26,373</u>	<u>\$ 35,923</u>	<u>\$ 36,079</u>

The Company's percentages of ownership interests and voting rights in associates at the balance sheet date are as follows:

Company name	Percentage of shareholding and voting rights		
	September 30, 2023	December 31, 2022	September 30, 2022
SLEEVE SEAL, LLC	35%	35%	35%

For information on the nature of business, principal place of business, and country of incorporation of the affiliated enterprise referred to above, refer to Note XXXII "Information about investees and regions where the company is situated."

The investment under the equity method and the Company's share of profit or loss and other comprehensive income are calculated based on the financial statements not audited by CPAs; however, the management of the Company have a significant impact. The Company's management, nevertheless, held the opinion that since the financial statement of the aforementioned investee has not been duly reviewed by the certified public accountants, the said facts would not have a significant impact.

XIII. Property, plant and equipment

	September 30, 2023	December 31, 2022	September 30, 2022
Own use	<u>\$ 930,199</u>	<u>\$ 872,567</u>	<u>\$ 884,161</u>

(1) Own use

	Land	Houses and buildings	Machinery and equipment	Income- generating instruments	Transportatio n equipment	Lease improvement	Other equipment	Construction not completed	Total
<u>Cost</u>									
Balance as of January 1, 2023	\$ 227,621	\$ 375,180	\$ 639,415	\$ 7,924	\$ 4,300	\$ 16,590	\$ 229,347	\$ 65,833	\$ 1,566,210
Increase	-	1,338	5,129	78	737	13,624	35,023	-	55,929
Reclassification	-	3,435	(643)	-	-	12,990	42,935	(24,618)	34,099
Disposal	-	-	(26,967)	-	-	-	-	-	(26,967)
Net exchange differences	<u>7,912</u>	<u>1,084</u>	<u>15,689</u>	<u>(564)</u>	<u>684</u>	<u>291</u>	<u>3,947</u>	<u>-</u>	<u>29,043</u>
Balance as of September 30, 2023	<u>\$ 235,533</u>	<u>\$ 381,037</u>	<u>\$ 632,623</u>	<u>\$ 7,438</u>	<u>\$ 5,721</u>	<u>\$ 43,495</u>	<u>\$ 311,252</u>	<u>\$ 41,215</u>	<u>\$ 1,658,314</u>
<u>Accumulated depreciation and impairment</u>									
Balance as of January 1, 2023	\$ -	\$ 130,373	\$ 422,124	\$ 6,312	\$ 4,049	\$ 16,233	\$ 114,552	\$ -	\$ 693,643
Depreciation expense	-	10,768	37,478	408	245	3,381	20,642	-	72,922
Disposal	-	-	(21,353)	-	-	-	-	-	(21,353)
Net exchange differences	<u>-</u>	<u>435</u>	<u>7,641</u>	<u>(523)</u>	<u>634</u>	<u>320</u>	<u>1,396</u>	<u>-</u>	<u>9,903</u>
Balance as of September 30, 2023	<u>\$ -</u>	<u>\$ 141,576</u>	<u>\$ 445,890</u>	<u>\$ 6,197</u>	<u>\$ 4,928</u>	<u>\$ 19,934</u>	<u>\$ 136,590</u>	<u>\$ -</u>	<u>\$ 755,115</u>
Net amount as of December 31, 2022	<u>\$ 227,621</u>	<u>\$ 244,807</u>	<u>\$ 217,291</u>	<u>\$ 1,612</u>	<u>\$ 251</u>	<u>\$ 357</u>	<u>\$ 114,795</u>	<u>\$ 65,833</u>	<u>\$ 872,567</u>
Net amount as of September 30, 2023	<u>\$ 235,533</u>	<u>\$ 239,461</u>	<u>\$ 186,733</u>	<u>\$ 1,241</u>	<u>\$ 793</u>	<u>\$ 23,561</u>	<u>\$ 174,662</u>	<u>\$ 41,215</u>	<u>\$ 903,199</u>
<u>Cost</u>									
Balance as of January 1, 2022	\$ 226,446	\$ 344,959	\$ 647,097	\$ 2,778	\$ 11,680	\$ 15,673	\$ 200,239	\$ 37,936	\$ 1,486,808
Increase	-	10,561	9,022	119	-	-	16,911	9,090	45,703
Reclassification	-	18,710	36	-	-	-	6,877	15,076	40,699
Disposal	-	-	(35,594)	(213)	(1,730)	-	(3,377)	-	(40,914)
Net exchange differences	<u>8,134</u>	<u>1,379</u>	<u>15,476</u>	<u>5,033</u>	<u>(5,006)</u>	<u>289</u>	<u>3,948</u>	<u>-</u>	<u>29,253</u>
Balance as of September 30, 2022	<u>\$ 234,580</u>	<u>\$ 375,609</u>	<u>\$ 636,037</u>	<u>\$ 7,717</u>	<u>\$ 4,944</u>	<u>\$ 15,962</u>	<u>\$ 224,598</u>	<u>\$ 62,102</u>	<u>\$ 1,561,549</u>
<u>Accumulated depreciation and impairment</u>									
Balance as of January 1, 2022	\$ -	\$ 117,471	\$ 400,836	\$ 2,778	\$ 8,212	\$ 14,975	\$ 97,088	\$ -	\$ 641,360
Depreciation expense	-	9,676	38,572	441	195	521	14,809	-	64,214
Disposal	-	-	(34,814)	(194)	(1,010)	-	(2,063)	-	(38,081)
Net exchange differences	<u>-</u>	<u>496</u>	<u>7,599</u>	<u>2,936</u>	<u>(2,796)</u>	<u>314</u>	<u>1,346</u>	<u>-</u>	<u>9,895</u>
Balance as of September 30, 2022	<u>\$ -</u>	<u>\$ 127,643</u>	<u>\$ 412,193</u>	<u>\$ 5,961</u>	<u>\$ 4,610</u>	<u>\$ 15,810</u>	<u>\$ 111,180</u>	<u>\$ -</u>	<u>\$ 677,388</u>
Net amount as of September 30, 2022	<u>\$ 234,580</u>	<u>\$ 247,966</u>	<u>\$ 223,844</u>	<u>\$ 1,756</u>	<u>\$ 343</u>	<u>\$ 152</u>	<u>\$ 113,418</u>	<u>\$ 62,102</u>	<u>\$ 884,161</u>

The company did not recognize or reversal of loss allowance from January 1 to September 30, 2023 and 2022.

Depreciation expenses are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Houses and buildings	
Plant and main building	15 to 30 years
Electromechanical power equipment and engineering	2 to 22 years
Machinery and equipment	2 to 10 years
Income-generating instruments	2 to 8 years
Transportation equipment	3 to 5 years
Lease improvement	5 to 8 years
Other equipment	2 to 20 years

Please refer to Note XXIX for the amount of property, plant and equipment pledged for borrowings.

XIV. Lease agreement

(1) Right-of-use asset

	September 30, 2023	December 31, 2022	September 30, 2022
Book value of right-of-use assets			
Building	\$ 19,656	\$ 26,603	\$ 3,949
Machinery and equipment	548	905	1,036
Transportation equipment	<u>4,367</u>	<u>3,265</u>	<u>3,318</u>
	<u>\$ 24,571</u>	<u>\$ 30,773</u>	<u>\$ 8,303</u>

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Increase in right-of-use assets			<u>\$ 6,410</u>	<u>\$8,094</u>
Depreciation expense of right-of-use assets				
Building	\$ 3,313	\$ 2,201	\$ 9,853	\$5,684
Machinery and equipment	103	170	357	397
Transportation equipment	<u>833</u>	<u>901</u>	<u>2,647</u>	<u>2,868</u>
	<u>\$ 4,249</u>	<u>\$ 3,272</u>	<u>\$ 12,857</u>	<u>\$8,949</u>

(II) Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Book value of lease liabilities			
Liquidity	<u>\$ 8,752</u>	<u>\$ 7,742</u>	<u>\$ 5,942</u>
Non-current	<u>\$ 15,224</u>	<u>\$ 17,696</u>	<u>\$ 1,573</u>

The range of the discount rate for lease liabilities is as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Building	2.38%~9.95%	2.48%~9.95%	1.89%~8%
Machinery and equipment	2.48%	1.85%~2.48%	1.85%~2.48%
Transportation equipment	1.85%~9.95%	1.85%~9.95%	1.85%~8%

(III) Significant lease activities and terms and conditions

The Company leases machinery and transportation equipment for product manufacturing, and the lease term is 2 to 3 years. At the end of the lease term, there is no clause for renewal of lease or purchase option in said lease agreements.

The Company also leases buildings for use as factory buildings, offices, warehouses, and employee dormitories. The lease terms are 1 to 5 years. At the end of the lease term, the Company does not have preferential rights to acquire the land and buildings leased, and it is agreed that the Company shall not sublease or transfer the whole or part of the subject matter of the lease without the consent of the lessor.

(IV) Other lease information

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Short-term rental expenses	\$ 3,254	\$ 2,340	\$ 5,532	\$ 3,542
Total cash outflow for leases	\$ 5,672	\$ 5,594	\$ 13,589	\$ 11,487

The Company has elected to apply the recognition exemption to buildings, machinery, equipment, and transportation equipment that qualify as short-term leases, and has not recognized right-of-use assets and lease liabilities for these leases.

XV. Intangible assets

	September 30, 2023	December 31, 2022	September 30, 2022
Computer software	\$ 3,000	\$ 3,777	\$ 3,749

Except for recognized amortization expenses, the company's intangible assets did not have any major additions, disposals and impairments from January 1 to September 30, 2023 and 2022. Amortization expenses are accrued on a straight-line basis over the following useful years:

Computer software 3 to 5 years

XVI. Other current assets

	September 30, 2023	December 31, 2022	September 30, 2022
Payment on behalf of others	\$ 16,441	\$ 15,680	\$ 15,851
Prepayment for purchase	6,522	9,685	15,688
Temporary payment	12,027	13,047	21,750
Prepaid rent and other prepaid expenses	11,223	5,965	8,535
Retained tax credit	8,740	4,468	3,983
Others	50,320	47,834	23,047
	<u>\$ 105,273</u>	<u>\$ 96,679</u>	<u>\$ 88,854</u>

XVII. Borrowings

(1) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Secured borrowings (Note XXIX)</u>			
Borrowings for working capital			
(1)	\$ 55,000	\$ 5,000	\$ -
<u>Unsecured borrowings</u>			
Borrowings for working capital			
(2)	133,219	105,000	45,000
Letter of credit (3)	<u>30,509</u>	<u>12,301</u>	<u>-</u>
	<u>\$ 218,728</u>	<u>\$ 122,301</u>	<u>\$ 45,000</u>

1. The interest rate of bank letters of credit as of September 30, 2023 and December 31, 2022 were 1.995% to 2.03% and 2.975%, respectively.
2. The interest rates of bank working capital borrowings as of September 30, 2023, December 31, 2022 and September 30, 2022, were 2.503% to 3.015%, 2.251% to 2.76% and 2.10% to 2.85%, respectively.
3. The interest rate of bank letters of credit as of September 30, 2023 and December 31, 2022 were 2.503% to 2.56% and 2.251%, respectively.

(II) Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Secured borrowings (Note XXIX)</u>			
Syndicated loans of First Bank and other 8 B-groups (1)	\$ 472,000	\$ 472,000	\$ 540,000
Bank borrowings (2)	-	-	10,153
<u>Unsecured borrowings</u>			
Bank borrowings (3)	-	-	4,626
Bank borrowings (4)	4,958	6,545	7,140
Bank borrowings (5)	5,157	6,942	7,537
Bank borrowings (6)	5,265	7,020	7,605
Bank borrowings (7)	5,600	7,400	8,000
Bank borrowings (8)	5,510	7,220	7,790
Bank borrowings (9)	5,550	7,215	7,770
Bank borrowings (10)	1,054	1,823	2,076
Bank borrowings (11)	39,425	45,165	-
Bank borrowings (12)	2,136	3,120	-
Bank borrowings (13)	573	-	-
Bank borrowings (14)	<u>3,889</u>	<u>-</u>	<u>-</u>
Sub-total	551,117	564,450	602,697
Less: Portion due within one year	(102,802)	(93,561)	(95,829)
Less: Syndicated loan fees and participation fees	(<u>1,076</u>)	(<u>1,374</u>)	(<u>1,553</u>)
Long-term borrowings	<u>\$ 447,239</u>	<u>\$ 469,515</u>	<u>\$ 505,315</u>

1. The syndicated loan of First Bank and other 8 banks was mortgaged and secured with the land and buildings owned by Xu Yuan Company (see Note XXIX). The loan facility may be drawn on a revolving basis from December 2019 to December 2024, with a deduction of the credit line starting from the third year of maturity. The

effective interest rate as of September 30, 2023, December 31, 2022 and September 30, 2022, was 2.4842%, 2.3263%, and 2.48%, respectively.

2. It is partially secured by accounts receivable (see Notes VIII and XXIX). It is repaid monthly from October 2021 to December 2022, with an effective interest rate of 1.89% - 2.38% per month as of September 30, 2022.
3. From October, 2019 to October 2022, it will be repaid quarterly with the annual interest rate floating. The effective annual interest rate on September 30, 2022 is 5.86%.
4. From September 2020 to September 30, 2025, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 2.595%, 2.47% and 2.345%, respectively.
5. From November 2020 to November 4, 2025, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 2.595%, 2.345% and 2.345%, respectively.
6. From December 2020 to December 3, 2025, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 2.595%, 2.345% and 2.345%, respectively.
7. From January 2021 to January 4, 2026, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 2.595%, 2.345% and 2.345%, respectively.
8. From February 2021 to February 4, 2026, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 2.595%, 2.345% and 2.345%, respectively.
9. From March 2021 to March 4, 2026, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 2.595%, 2.345% and 2.345%, respectively.
10. From September 11, 2019 to September 11, 2024, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023, December 31, 2022 and September 30, 2022, is 3.173%, 2.921% and 2.80%, respectively.
11. From December of 2022 to 2025, it will be repaid quarterly with the annual interest rate floating. The effective annual interest rate on September 30, 2023 and December 31, 2022 is 8.80% and 8.52%.
12. From January 2022 to January 2025, it will be repaid monthly. The effective annual interest rate on September 30, 2023 and December 31, 2022 were 1.8925%.
13. From February 2023 to February 2026, it will be repaid monthly. The effective annual interest rate on September 30, 2023 is 1.56%.
14. From February 16 of 2023 to 2026, it will be repaid monthly with the annual interest rate floating. The effective annual interest rate on September 30, 2023 is 3.35%.

Syndicated loan with First Bank

The Company shall maintain the following financial ratios and requirements in the consolidated financial statements at the end of each year throughout the duration of the credit extension:

1. The current ratio (current assets/current liabilities less medium and long-term liabilities due within a year) shall be maintained at or above 100%;
2. The debt ratio [(debt less cash and cash equivalents)/tangible net worth] shall be maintained below 200%.
3. The interest coverage ratio ((pre-tax net profit + interest expense + depreciation + amortization)/interest expense) shall be maintained at 3 times or above;
4. The minimum tangible net worth (net worth - intangible assets - deferred expenses) shall be maintained at more than NT\$600 million (inclusive).

If the above requirements are not met, the interest rate of the syndicated loan shall be increased by 0.10%, and the Company shall make adjustments before the annual consolidated financial statements are audited and verified in the next fiscal year (hereinafter

referred to as the "improvement period") to conform with the agreement. The improvement period shall not be deemed as a breach of contract (however, if the improvement is not completed within the improvement period, it still constitutes a breach of contract). However, during the improvement period, except for the loaning of new loans and repayment of the old loans under the terms of this contract, the use of this loan shall be suspended.

XVIII. Notes payable and accounts payable

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes payable</u>			
Occurred due to business operations	\$ 88,651	\$ 50,633	\$ 50,384
<u>Accounts payable</u>			
Occurred due to business operations	\$ 96,622	\$ 118,827	\$ 118,696

The average credit period for some products purchased is 30 to 120 days. The Company has financial risk management policies in place to ensure that all payables are repaid within the pre-agreed credit term.

XIX. Other payables and other current liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Payable employee bonus and remuneration to directors	\$ 8,889	\$ 21,574	\$ 25,317
Salaries and bonuses payable	28,505	22,740	19,512
Insurance premium payable	1,111	1,154	2,629
Output tax	5,660	-	7,910
Others (Note)	14,983	48,600	13,847
	<u>\$ 59,148</u>	<u>\$ 94,068</u>	<u>\$ 69,216</u>

Note: As of December 31, 2022, including Chiayi Factory's approved air pollution control fee payable of NT\$30,806 thousand.

XX. Post-employment benefit plans

Xu Yuan and Hong Yuan Companies' pension system under the Labor Pension Act is a government-managed defined contribution pension plan. The Company contributes 6% of employees' monthly salary as pension fund to the personal accounts of the Bureau of Labor Insurance.

XXI. Equity

(I) Common stock/share capital

	September 30, 2023	December 31, 2022	September 30, 2022
Authorized number of shares (in thousand)	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>
Authorized capital	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>
Number of shares issued and fully paid (thousand shares)	<u>54,817</u>	<u>54,817</u>	<u>54,817</u>
Issued capital stock	<u>\$ 548,171</u>	<u>\$ 548,171</u>	<u>\$ 548,171</u>

(II)	Additional paid-in capital	September 30, 2023	December 31, 2022	September 30, 2022
	<u>Can be used to offset losses, distribute cash or capitalize on share capital (Note)</u>			
	Premium from stock issuance	\$ 26,844	\$ 26,844	\$ 26,844
	Corporate bond conversion premium	61,412	61,412	61,412
	Premium from stock issuance (executed employee share warrants)	773	773	773
	Treasury stock trading	19	19	19
	<u>Not to be used for any purpose</u>			
	Stock options	<u>293</u>	<u>293</u>	<u>293</u>
		<u>\$ 89,341</u>	<u>\$ 89,341</u>	<u>\$ 89,341</u>

Note: Such capital surplus may be used to offset a deficit, and may be distributed as cash or applied to share capital when the Company has no deficits, provided that the capital surplus shall not exceed a certain percentage of the Company's paid-in share capital each year.

(III) Retained earnings and dividend policy

According to the Xu Yuan Company's Articles of Incorporation, the Company authorizes the Board of Directors to make special resolutions, to distribute dividends and bonuses that shall be distributed in cash, and to report to the shareholders' meeting.

According to the earnings distribution policy stipulated in the Xu Yuan Company's Articles of Incorporation, if the Company has current profit after tax in the year's accounts, the accumulated losses shall be covered first and then 10% shall be set aside as the legal reserve as required by law; where such legal reserve amounts to the total paid-in capital, this provision shall not apply. The special reserve is then appropriated or reversed in accordance with laws or regulations of the competent authority. If there are earnings still to be distributed, such as undistributed earnings of the beginning of the year, the Board of Directors is to propose an earnings distribution proposal for submission to the shareholders' meeting to resolve the distribution of dividends to shareholders. Please refer to Note XXII (VII) for the employees' and directors' remuneration distribution policy stipulated in the Xu Yuan Company's Articles of Incorporation.

Xu Yuan Company will manage its future capital expenditures, business expansion and sound financial plan in line with the environment and growth stage it is at in the pursuit of sustainable development. Xu Yuan Company's dividend policy shall adopt a joint distribution method for the stock and cash dividends of the above-mentioned earnings distribution for shareholders dividends depending on the future capital expenditure budget and funding requirements of Xu Yuan Company. The cash dividends shall account for at least 10% of the entire dividends.

The legal reserve shall be appropriated until the balance reaches the Company's paid-in capital. Legal reserves may be used to offset losses. If the Company has no deficit, the portion exceeding 25% of the paid-in capital by the legal reserve may be appropriated into capital or distributed in cash.

Due to the net loss after tax in 2021, Xu Yuan Company held a shareholders' meeting on June 8, 2022, respectively, and it was resolved not to distribute the earnings.

The appropriation of earnings for 2022, which were proposed by the Company, were as follows:

	<u>2022</u>
Legal reserve	\$ <u>24,810</u>
Special reserve	\$ <u>26,567</u>
Cash dividends	\$ <u>54,817</u>
Cash dividends per share (NT\$)	\$ 1

The above appropriation for cash dividends has been resolved by the Company's board of directors in April 13, 2023; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 9, 2023.

(IV)	Special reserves	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
	Opening balances	\$ 38,179	\$ 38,179
	Additional special reserves	<u>26,567</u>	<u>-</u>
	Closing balances	<u>\$ 64,746</u>	<u>\$ 38,179</u>
(V)	Other items of equity		
	<u>Exchange difference on translation of financial statements of foreign operations</u>	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
	Opening balance	(\$ 64,746)	(\$ 69,161)
	Exchange differences arising from the translation of the financial statements of foreign operations	<u>12,274</u>	<u>17,425</u>
	Year-end balance	(\$ <u>52,472</u>)	(\$ <u>51,736</u>)
(VI)	Non-controlling interests	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
	Opening balance	\$ 111,661	\$ 94,781
	Portions attributable to non- controlling equity		
	Current net profit	10,251	6,261
	Exchange difference on translation of financial statements of foreign operations	<u>6,277</u>	<u>5,479</u>
	Year-end balance	<u>\$ 128,189</u>	<u>\$ 106,521</u>
(VII)	Treasury stock		<u>Shares Transferred to Employees (In Thousands of Shares)</u>
	Purpose of Buy-back		
	Number of shares at January 1, 2023		<u><u>-</u></u>
	Increase during the year		<u><u>568</u></u>
	Number of shares at June 30, 2023		<u><u>568</u></u>

On January 12, 2023, the Board of Directors resolved to repurchase treasury shares in order to motivate and enhance employees' centripetal force. The repurchase period is from January 13, 2023 to March 12, 2023, and the number of shares to be repurchased is 600,000 shares at a range of NT\$12 to NT\$20 per share. The filing of the treasury stock buyback date is January 12, 2023 and its execution has been completed within the two months from the date of filing according to the laws and regulations. Thus, the board meeting on March 10, 2023 has resolved and approved the change to the scheduled buyback period from January 17, 2023 to March 10, 2023. As of March 10, 2023, a total of 568 thousand shares had been repurchased for an amount of NI\$9,450 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

XXII. Income

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Revenue from Contracts with Customers				
Revenue from sale of goods	\$ 286,388	\$ 326,697	\$ 872,007	\$ 962,993
Revenue from premium(Note XXVIII)	-	-	892	777
	<u>\$ 286,388</u>	<u>\$ 326,697</u>	<u>\$ 872,899</u>	<u>\$ 963,770</u>

(1) Contract balance	September 30, 2023	December 31, 2022	September 30, 2022	January 1, 2022
Accounts receivable (Note VIII)	<u>\$ 253,386</u>	<u>\$ 254,236</u>	<u>\$ 258,616</u>	<u>\$ 288,762</u>
Contract liabilities				
Sales of goods	<u>\$ 13,385</u>	<u>\$ 9,521</u>	<u>\$ 13,127</u>	<u>\$ 21,894</u>

Changes in contract liabilities are mainly due to the difference between the time when the performance obligation is met and the time when the customer makes the payment.

(II) Breakdown of revenue from contracts with customers	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Taiwan	\$ 169,920	\$ 93,161	\$ 472,603	\$ 396,026
Americas	82,444	73,706	271,012	259,879
Asia	33,829	159,417	127,261	297,489
Others	195	413	2,023	10,376
	<u>\$ 286,388</u>	<u>\$ 326,697</u>	<u>\$ 872,899</u>	<u>\$ 963,770</u>

XXIII. Current net (loss) profit

Net (loss) income for the year includes the following:

(1) Income from interest

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Bank deposits	\$ 2,920	\$ 348	\$ 5,779	\$ 798
Others	<u>7</u>	<u>7</u>	<u>22</u>	<u>19</u>
	<u>\$ 2,927</u>	<u>\$ 355</u>	<u>\$ 5,801</u>	<u>\$ 817</u>

(II) Other income

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Rent income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>

(III) Other gains and losses

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Net foreign currency exchange gain	\$ 6,265	\$ 18,298	\$ 24,499	\$ 56,800
(Loss) gain on disposal of property, plant and equipment	(56)	-	644	3,696
Gains on disposal of non- current assets to be sold	-	-	-	529,678
Others	<u>316</u>	<u>192</u>	<u>(484)</u>	<u>(9,336)</u>
	<u>\$ 6,525</u>	<u>\$ 18,490</u>	<u>\$ 24,659</u>	<u>\$ 580,838</u>

(IV) Financial cost

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Interest on bank loans	\$ 6,356	\$ 4,647	\$ 17,436	\$ 16,186
Interest on lease liabilities	107	47	326	120
Less: Amount included in the cost of assets for meeting the criteria	<u>(825)</u>	<u>(1,005)</u>	<u>(2,457)</u>	<u>(3,046)</u>
	<u>\$ 5,638</u>	<u>\$ 3,689</u>	<u>\$ 15,305</u>	<u>\$ 13,260</u>

Information about capitalization of interest is as follows:

	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Amount of capitalized interest	\$ 2,457	\$ 3,046
Interest rate of capitalized interest	2.38%	2.48%

(V) Depreciation and amortization

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Depreciation expenses by function				
Operating cost	\$ 18,013	\$ 16,359	\$ 55,497	\$ 48,478
Operating expenses	<u>11,500</u>	<u>8,430</u>	<u>30,282</u>	<u>24,685</u>
	<u>\$ 29,513</u>	<u>\$ 24,789</u>	<u>\$ 85,779</u>	<u>\$ 73,163</u>
Amortization expenses are summarized by function				
Administrative expenses	<u>\$ 230</u>	<u>\$ 263</u>	<u>\$ 777</u>	<u>\$ 791</u>

(VI) Employee welfare expenses

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Short-term employee benefits	\$ 46,494	\$ 48,799	\$140,887	\$166,135
Post-employment benefits				
Defined contribution plans	1,600	1,632	4,787	4,892
Other employee benefits	<u>6,259</u>	<u>6,072</u>	<u>19,250</u>	<u>18,335</u>
Total employee benefit expenses	<u>\$ 54,353</u>	<u>\$ 56,503</u>	<u>\$164,924</u>	<u>\$189,362</u>
Summary by function				
Operating cost	\$ 35,227	\$ 38,686	\$105,320	\$109,902
Operating expenses	<u>19,126</u>	<u>17,817</u>	<u>59,604</u>	<u>79,460</u>
	<u>\$ 54,353</u>	<u>\$ 56,503</u>	<u>\$164,924</u>	<u>\$189,362</u>

(VII) Employees' compensation and remuneration of directors

According to Xu Yuan Company's Articles of Incorporation, no less than 4% and no more than 4% of the pre-tax income before deduction of employees' and directors' remuneration, respectively, shall be appropriated as remuneration to employees and directors. If there are still accumulated deficits, the amount shall be set aside to cover the losses first. The remuneration to employees referred to in the preceding paragraph may be paid in the form of shares or cash, and the allocation may include employees of affiliated companies that meet certain criteria; the remuneration to directors referred to above may be paid in cash only.

Nine months ended September 30, 2023, it is the pre-tax loss, and it is not estimated.

Nine months ended September 30, 2022, the employees and the remuneration of directors and supervisors are as follows:

Estimated allowance

		<u>Nine Months Ended September 30,2022</u>
Employee remuneration		5.00%
Remuneration to directors		3.00%

Amount

	<u>Three Months Ended September 30,2022</u>	<u>Nine Months Ended September 30,2022</u>
Employee remuneration	\$ 541	\$ 15,823
Remuneration to directors	325	9,494

If there is still a change in the amounts after the annual consolidated financial statements were approved for issue, they are treated as changes in accounting estimates and adjusted and accounted for in the following year.

The appropriations of earnings for 2022 had been directors by the board of directors in March 16, 2023. The appropriations and dividends per share were as follows:

Amount

		<u>2022</u>
Employee remuneration		\$ 13,484
Remuneration to directors		\$ 8,090

On March 18, 2022, the Board of Directors decided not to distribute remuneration to employees and directors for 2021 due to a loss before tax.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the annual financial statements for the year ended December 31, 2022.

		<u>2022</u>	
		<u>Employee remuneration</u>	<u>Remuneration to directors</u>
Board of Directors decided		\$ 16,274	\$ 5,300
Amount recognized in annual financial report		\$ 13,484	\$ 8,090

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

XXIV. Income Taxes

(1) Income tax recognized in profit or loss

	<u>Three Months Ended September 30,2023</u>	<u>Three Months Ended September 30,2022</u>	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
Current income tax				
Adjustments for prior years	\$ 48	\$ 6	\$ 2,402	\$ 1,572
Deferred tax				
In respect of the current period	<u>3,227</u>	<u>-</u>	<u>3,227</u>	<u>-</u>
Income tax expenses recognized in profit or loss	<u>\$ 3,275</u>	<u>\$ 6</u>	<u>\$ 5,629</u>	<u>\$ 1,572</u>

The individual tax rate applicable to Xu Yuan Company and Hong Yuan Company under the Income Tax Act of the Republic of China is 20%; the tax rate applicable to subsidiaries in China is 25%; the tax amount generated in other jurisdictions is calculated according to the tax rate applicable to the respective jurisdiction.

(II) Authorization of income tax

Xu Yuan and Hong Yuan Companies' income tax returns for profit-seeking enterprises up to 2020 have been approved by the taxation authorities.

XXV. (Losses) earnings per share

	Unit: NTD per share			
	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Basic (loss) earnings per share				
From continuing operations	\$ 0.02	\$ 0.18	(\$ 0.15)	\$ 9.45
Diluted (loss) earnings per share				
From continuing operations	\$ 0.02	\$ 0.18	(\$ 0.15)	\$ 9.27

The net (loss) income and the weighted average number of ordinary shares issued for the calculation of (loss) earnings per share are as follows:

Current net (loss) profit

	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Net (loss) income used to calculate basic and diluted (loss) earnings per share	\$ 1,334	\$ 9,956	(\$ 7,996)	\$ 518,193

Number of shares

	Unit: Thousand shares			
	Three Months Ended September 30,2023	Three Months Ended September 30,2022	Nine Months Ended September 30,2023	Nine Months Ended September 30,2022
Weighted average number of ordinary shares used in calculating basic (loss) earnings per share	54,249	54,817	54,337	54,817
Effect of potential dilutive common stock:				
Employee remuneration	-	1,095	-	1,095
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	54,249	55,912	54,337	55,912

XXVI. Capital risk management

The Company conducts capital management to ensure that it can maximize the return to shareholders under the premise of continuing as a business. There is no material change in the Company's overall strategy.

The capital structure of the Company consists of the net debt (borrowings less cash) and equity (capital, additional paid-in capital, retained earnings, and other equity items).

The Company is not subject to other external capital requirements.

XXVII. Financial Instruments

(1) Type of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial asset</u>			
Measured at amortized cost			
Cash	\$ 119,930	\$ 199,646	\$ 149,293
Financial assets at amortized cost	88,567	617	5,670
Notes and accounts receivable - net	309,501	301,909	309,668
Notes and accounts receivable - related parties	14,084	5,690	3,876
Other receivables - related parties	6,593	5,976	7,621
Refundable deposits	14,439	15,765	17,951
<u>Financial liability</u>			
Measured at amortized cost			
Short-term borrowings	218,728	122,301	45,000
Notes payable	88,651	50,633	50,384
Accounts payable	96,622	118,827	118,696
Accounts payable - related parties	829	339	621
Other payables	21,754	-	23,766
Long-term borrowings (including portion due within one year)	550,041	563,076	601,144

(II) Financial risk management objectives and policies

The Company's financial risk management objective is to manage the market risk, credit risk and liquidity risk related to operating activities. In order to reduce related financial risks, the Company is committed to identifying, evaluating and circumventing uncertainties in the market to reduce the potential adverse impact of market changes on the Company's financial performance.

Important financial activities of the Company are reviewed by the management in accordance with the relevant regulations and internal control system. During the implementation of the financial plan, the Company strictly follows relevant financial operating procedures.

1. Market risk

The main financial risks that the Company is exposed to due to the Company's operating activities are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

(1) Exchange rate risk

Some of the Company's inflows and outflows of cash and cash equivalents are denominated in foreign currencies, so they have a natural hedging effect; the Company's exchange rate risk management is based on hedging as its purpose, not profit.

As the net investment in foreign operating institutions is a strategic investment, the Company does not hedge against it.

Sensitivity analysis

The Company is mainly affected by fluctuations in the exchange rates of USD and JPY.

The following table details the Company's sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 5% against each relevant foreign currency. The sensitivity analysis takes into account the monetary items denominated in foreign currencies and adjusts their translation at the end of the year based on a 5% change in the exchange rate. The positive numbers in the table below indicate that when the New Taiwan dollar appreciates by 5% against the relevant currencies, the net income before tax will be reduced; when the New Taiwan dollar depreciates by 5% against the relevant foreign currencies, the impact on the net income before tax will be the negative number of the same amount.

	Effect of USD		Effect of JPY	
	Nine Months Ended Accounts payable 30,2023	Nine Months Ended Accounts payable 30,2022	Nine Months Ended Accounts payable 30,2023	Nine Months Ended Accounts payable 30,2022
Profit and loss	\$ 11,399	\$ 19,353	\$ 464	\$ 504

	Effect of Renminbi (RMB/CNY)		Effect of Euro	
	Nine Months Ended Accounts payable 30,2023	Nine Months Ended Accounts payable 30,2022	Nine Months Ended Accounts payable 30,2023	Nine Months Ended Accounts payable 30,2022
Profit and loss	\$ 821	\$ 999	\$ 110	\$ 89

(2) Interest rate risk

Because the Company holds assets with fixed and floating interest rates at the same time, the exposure to the interest rate risk arises

The carrying amounts of the Company's financial assets and financial liabilities with exposure to the interest rate risk at the balance sheet date are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk			
- Financial assets	\$ 88,567	\$ -	\$ -
- Financial liabilities	23,976	25,438	7,515
Cash flow interest rate risk			
- Financial assets	115,741	198,044	151,071
- Financial liabilities	768,769	685,377	646,144

Sensitivity analysis

The sensitivity analysis below is based on the interest rate risk exposure of the non-derivative instruments at the balance sheet date. For floating rate assets, the analysis is based on the assumption that the amount of assets outstanding on the balance sheet date was outstanding during the reporting period.

If the interest rate increased/decreased by 0.1%, with all other variables remaining unchanged, the Company's net income before tax for six months ended September 30, 2023 and 2022 would have decreased/increased by NT\$490 thousand and NT\$371 thousand, respectively. The main reason is the Company's liability exposure risk due to the interest rates changes.

2. Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial losses to the Company. As of the balance sheet date, the Company's maximum credit risk exposure of financial losses that may be caused by the counterparty's failure to perform its obligations is mainly from the book value of the financial assets recognized in the consolidated balance sheet.

The accounts receivable are from many customers, and they are distributed in different industries and geographical regions. The Company continuously evaluates the financial status of accounts receivable customers.

3. Liquidity risk

The ultimate responsibility for the Company's liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework to meet the Company's short, medium and long-term funding and liquidity management needs. The Company manages liquidity risk by maintaining adequate reserves, bank financing facilities and borrowing commitments, continuously monitoring expected and actual cash flows, and matching the maturing portfolio of financial assets and liabilities. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Company's undrawn short-term banking facilities amounted to NT\$79,915 thousand, NT\$147,699 thousand and NT\$151,998 thousand, respectively.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities is based on the earliest date at which the Company may be required to repay and is compiled based on the undiscounted cash flows of financial liabilities, which include cash flows of interest and principal.

September 30, 2023

	Pay on demand or less than 6 months	6 months to 1 year	More than 1 year
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 207,856	\$ -	\$ -
lease liabilities	4,987	4,154	15,444
Short-term borrowings	218,728	-	-
Long-term borrowings	16,237	86,565	447,239
	<u>\$ 447,808</u>	<u>\$ 90,719</u>	<u>\$ 462,683</u>

Further information on the maturity analysis of undiscounted lease liabilities is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	
lease liabilities	<u>\$ 9,141</u>	<u>\$ 15,444</u>	
<u>December 31, 2022</u>			
	<u>Pay on demand or less than 6 months</u>	<u>6 months to 1 year</u>	<u>More than 1 year</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 219,553	\$ -	\$ -
lease liabilities	4,516	3,368	18,126
Short-term borrowings	117,301	5,000	-
Long-term borrowings	<u>12,777</u>	<u>80,784</u>	<u>469,515</u>
	<u>\$ 354,347</u>	<u>\$ 89,152</u>	<u>\$ 487,641</u>

Further information on the maturity analysis of undiscounted lease liabilities is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	
lease liabilities	<u>\$ 8,084</u>	<u>\$ 18,126</u>	
<u>September 30, 2022</u>			
	<u>Pay on demand or less than 6 months</u>	<u>6 months to 1 year</u>	<u>More than 1 year</u>
<u>Non-derivative financial liabilities</u>			
Non-interest-bearing liabilities	\$ 193,467	\$ -	\$ -
lease liabilities	4,462	1,480	1,573
Short-term borrowings	45,000	-	-
Long-term borrowings	<u>87,574</u>	<u>8,255</u>	<u>505,315</u>
	<u>\$ 330,503</u>	<u>\$ 9,735</u>	<u>\$ 506,888</u>

Further information on the maturity analysis of undiscounted lease liabilities is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>
lease liabilities	<u>\$ 6,019</u>	<u>\$ 1,596</u>

(III) Information on transfers of financial assets

As of September 30, 2022, the amount of the Company's sale of accounts receivable contracts signed with banks was NT\$12,752 thousand. According to the contract, if the accounts receivable cannot be collected on maturity, the bank has the right to demand payment of the unsettled balance from the Company. Therefore, the Company did not transfer the significant risk and return of the accounts receivable. The Company continued to recognize all accounts receivable and used the transferred accounts receivable as collateral for borrowings. Please refer to the notes. VIII, XVII, and XXIX.

As of September 30, 2022, the book value of the transferred accounts receivable, yet to be listed, was NT\$12,752 thousand and the book amount of the related liability was NT\$12,752 thousand.

XXVIII. Related party transactions

Transactions, account balances, income, and expenses between the Company and its subsidiaries (related parties of the Company) are eliminated on consolidation and are not disclosed in this note. The transactions between the Company and other related parties are as follows.

(1) Names of related parties and their relationships

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
SLEEVE SEAL, LLC (SSL Company)	Associate
Daseal Packaging Technology Limitada (Daseal Company)	Substantive related party
HRP SUL AMERICAINDA E COM. DE MÁQUINAS E EQUIPAMENTOS LTDA. (HRP Company)	Substantive related party
Dase-Sing Packaging Technology Co., LTD. (Dase-Sing Company)	Substantive related party

(II) Operating revenue

<u>Account Items</u>	<u>Category/name of related party</u>	<u>Three Months Ended September 30,2023</u>	<u>Three Months Ended September 30,2022</u>	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
Sales revenue	Associate	\$ 4,514	\$ 3,597	\$ 27,300	\$ 15,963
	Substantive related party	<u>-</u>	<u>63</u>	<u>140</u>	<u>185</u>
		<u>\$ 4,514</u>	<u>\$ 3,660</u>	<u>\$ 27,440</u>	<u>\$ 16,148</u>
Premium revenue	Associate				
	SSL Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ 777</u>

The Company's sales to related parties are conducted in accordance with the general selling conditions, and the collection period is monthly settlement of 60 days.

The company collects premium revenue from related companies, price and terms were determined in accordance with mutual agreements.

(III) Purchase of stock

<u>Account Items</u>	<u>Category of related party</u>	<u>Three Months Ended September 30,2023</u>	<u>Three Months Ended September 30,2022</u>	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
Material	Substantive related party Dase-Sing Company	<u>\$ 653</u>	<u>\$ 1,221</u>	<u>\$ 1,551</u>	<u>\$ 2,850</u>

The transaction prices and conditions for purchases between the company and related parties are based on costs and market prices, and are equivalent to those of other non-related parties.

(IV) Operating expenses

<u>Account Items</u>	<u>Category/ name of related party</u>	<u>Three Months Ended September 30,2023</u>	<u>Three Months Ended September 30,2022</u>	<u>Nine Months Ended September 30,2023</u>	<u>Nine Months Ended September 30,2022</u>
Commission expenses	Substantive related party Daseal Company	<u>\$ 2,508</u>	<u>\$ 1,511</u>	<u>\$ 9,155</u>	<u>\$ 11,288</u>

The Company's payment of commission to related parties is negotiated according to the contract between the two parties, and there is no other suitable counterparty for comparison.

(V) Receivables from related parties

<u>Account Items</u>	<u>Category/ name of related party</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable - related parties	Associate			
	SSL Corporation	\$ 14,084	\$ 5,664	\$ 3,811
	Substantive related party	<u>-</u>	<u>26</u>	<u>65</u>
		<u>\$ 14,084</u>	<u>\$ 5,690</u>	<u>\$ 3,876</u>
Other receivables - related parties	Associate			
	SSL Corporation	<u>\$ 6,593</u>	<u>\$ 5,976</u>	<u>\$ 7,621</u>

As of September 30, 2023, December 31, 2022 and September 30, 2022, no loss allowance was provided for accounts receivable-related parties, and the collection period was settled monthly for 60 days account receivables. However, the Company accommodates the operation of the related parties by temporarily collecting and paying accounts depending on the status of their funds.

As of Balance Sheet date, the Company transferred the accounts receivable exceeding the normal collection due date from accounts receivable-related parties to other receivables-related parties, the aging distribution of its accounts is as follows:

September 30, 2023

<u>Category of related party</u>	<u>181 to 240 days</u>	<u>241 to 360 days</u>	<u>More than 361 days</u>	<u>Total</u>
Associate	<u>\$ 779</u>	<u>\$ 521</u>	<u>\$ 4,401</u>	<u>\$ 5,701</u>

December 31, 2022

<u>Category of related party</u>	<u>181 to 240 days</u>	<u>241 to 360 days</u>	<u>More than 361 days</u>	<u>Total</u>
Associate	<u>\$ -</u>	<u>\$ 905</u>	<u>\$ 5,071</u>	<u>\$ 5,976</u>

September 30, 2022

<u>Category of related party</u>	<u>181 to 240 days</u>	<u>241 to 360 days</u>	<u>More than 361 days</u>	<u>Total</u>
Associate	<u>\$ 68</u>	<u>\$ 982</u>	<u>\$ 6,571</u>	<u>\$ 7,621</u>

(VI) Accounts payable to related parties

<u>Account Items</u>	<u>Category of related party</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable - related parties	Substantive related party	<u>\$ 829</u>	<u>\$ 339</u>	<u>\$ 621</u>

(VII)	Others		September 30, 2023	December 31, 2022	September 30, 2022
	<u>Account Items</u>	<u>Category of related party</u>			
	Prepayments for purchases (recorded as other current assets)	Substantive related party	\$ -	\$ 214	\$ -

(VIII)	Lease arrangements		Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	<u>Category of related party</u>			
	<u>Acquisition of right-of-use assets</u>			
	Substantive related party		\$ 558	\$ 657

	<u>Account Items</u>	<u>Category of related party</u>	September 30, 2023	December 31, 2022	September 30, 2022
	Lease liabilities	Substantive related party	\$ 305	\$ 204	\$ 355

	<u>Category of related party</u>	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	<u>Interest expense</u>				
	Substantive related party	\$ 1	\$ 3	\$ 3	\$ 5

(IX)	Compensation of key management personnel		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	Short-term employee benefits		\$ 7,784	\$ 2,860	\$ 15,767	\$ 8,802
	Post-employment benefits		141	90	325	270
			\$ 7,925	\$ 2,950	\$ 16,092	\$ 9,072

The remuneration of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

XXIX. Assets pledged as collateral

The Company's following assets have been provided as collateral for long-term and short-term loans:

	September 30, 2023	December 31, 2022	September 30, 2022
Net amount of property, plant and equipment	\$ 224,314	\$ 230,290	\$ 348,000
Pledge time deposit (recorded in financial assets at amortized cost)	67,767	-	-
Pledge demand deposit (recorded in financial assets at amortized cost)	-	617	5,670
Trade receivable	-	-	12,752
	\$ 292,081	\$ 230,907	\$ 366,422

XXX. Significant contingencies and unrecognized contractual commitments

As of the end of September 2023, the Company had issued an unused letter of credit for an amount of NT\$12,576 thousand.

XXXI. Assets and liabilities denominated in foreign currencies with significant impacts

The following information is aggregated and expressed in foreign currencies other than each of the Company entity's functional currency. The disclosed exchange rates refer to the exchange rates at which these foreign currencies were converted into the functional currency.

Assets and liabilities denominated in foreign currencies with significant impacts:

September 30, 2023

Unit: Each foreign currency is in thousand

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
US Dollars	\$ 8,977	32.27	\$ 289,688
Japanese Yen	42,952	0.2162	9,286
Euro	65	33.91	2,204
Renminbi	3,719	4.415	<u>16,419</u>
			<u>\$ 317,597</u>
<u>Non-monetary items</u>			
Investment under equity method			
US Dollars	817	32.27	<u>\$ 26,373</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
US Dollars	1,913	32.27	<u>\$ 61,717</u>

December 31, 2022

	Unit: Each foreign currency is in thousand		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
US Dollars	\$ 9,803	30.71	\$ 301,050
Japanese Yen	44,814	0.232	10,415
Euro	59	32.72	1,930
Renminbi	4,535	4.408	<u>19,990</u>
			<u>\$ 333,385</u>
<u>Non-monetary items</u>			
Investment under equity method			
US Dollars	1,170	30.71	<u>\$ 35,923</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
US Dollars	1,597	30.71	<u>\$ 49,044</u>

September 30, 2022

	Unit: Each foreign currency is in thousand		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
US Dollars	\$ 12,764	31.75	\$ 405,257
Japanese Yen	45,780	0.220	10,076
Euro	57	31.26	1,782
Renminbi	4,528	4.473	<u>20,254</u>
			<u>\$ 437,369</u>
<u>Non-monetary items</u>			
Investment under equity method			
US Dollars	1,136	31.75	<u>\$ 36,079</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
US Dollars	573	31.75	<u>\$ 18,193</u>

In three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, the Company's realized and unrealized net gains on foreign currency exchange were NT\$6,265 thousand, NT\$18,298 thousand, NT\$24,499 thousand and NT\$56,800 thousand, respectively. Foreign exchange gains and losses are disclosed. Due to the wide variety of foreign currency transactions and the Group's functional currencies, it is difficult to disclose all exchange gains or losses for all foreign currencies based on impact significance.

XXXII. Disclosures in notes

(1) Significant transactions and (II) information on investees: Except for the following, there are no other matters to be disclosed. All significant transactions between the parent company and subsidiaries have been eliminated in full when the consolidated financial statements are prepared.

1. Loans to others:

Unit: Unless otherwise stated
in Thousands of New Taiwan Dollars (NTD)

Serial No.	Company that lent funds	Recipient of loan	Items of the dealings	Whether is a related party	Maximum balance in the current period	Closing balance	Actual Amount Contributed	Interest rate range	Nature of loaning of funds	Amount of business transactions	Reasons for the need for short-term financing	Allowance for bad debt	Collaterals		Limit of lending to individual borrowers (Note 1)	Total limit of loans (Note 2)	Remarks
													Name	Value			
1	Xu Yuan Company	XYPD DO BRASIL EMBAL AGENS LTDA.	Other receivables - related parties	Yes	\$166,816	\$139,667	\$139,667 (Note 3)	-	Business transactions	2023 Net sales \$ 1,084	-	\$ -	-	\$ -	\$325,930	\$325,930	-

Note 1: The limit of Xu Yuan's loaning to individual borrowers shall not exceed 40% of the net worth of Xu Yuan.

Note 2: The loaning limit of Xu Yuan to other parties shall not exceed 40% of the net worth of the Company.

Note 3: Eliminated when the consolidated financial statements were prepared.

2. Endorsements and guarantees for others:

Unit: NTD thousand

Endorsing/guaranteeing company name	Endorsed/guaranteed parties		Limit of single enterprise endorsements/guarantees (Note 2)	Maximum endorsement/guarantee balance in the current period	Endorsement/guarantee balance at end of period	Actual Amount Contributed	Endorsement/guarantee amount secured by property	Percentage of cumulative endorsement/guarantee amount to net worth in the most recent financial statements	Maximum amount of endorsements/guarantees (Note 2)	Endorsement/guarantee made by parent company to subsidiary	Endorsement/guarantee provided by the subsidiary to the parent company	Endorsement/guarantee made for Mainland China
	Company name	Relations (Note 1)										
Xu Yuan Company	Hong Yuan Company	2	\$ 814,827	\$ 15,000	\$ 15,000	\$4,943	\$ -	1.84%	\$ 814,827	Yes	No	No
	XYPD Company	2	325,930	90,000	50,000	41,144	7,260	6.14%	407,413	Yes	No	No

Note 1: 1. The Company has a business relationship with.

2. Subsidiaries with more than 50% common stock shares held directly.

3. An investee in which the parent company and its subsidiaries hold more than 50% of the common shares in aggregate.

Note 2: According to the "Procedure for Endorsement and Guarantee" of the Company, the amount of endorsement and guarantee made for a single 100%-owned reinvestment enterprise shall not exceed the net worth of the Company; The amount of a single enterprise endorsement and guarantee shall not exceed 40% of the net worth of the company. The total amount of endorsement and guarantee for the reinvested enterprises for which the Company holds 100% of its shares shall not exceed the net worth of the Company; the total amount of endorsements and guarantees for the investees to which the Company does not hold 100% of its shares shall not exceed 50% of the net worth of the Company.

3. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

The company that accounts for the accounts receivable	Name of counterparty	Relations	Balance of receivables from related parties	Turnover	Overdue receivables from related parties		Subsequent recovered amount of receivables from related parties	Allowance for bad debt
					Amount	Treatment method		
Xu Yuan Company	XYPD Company	Subsidiary	\$ 141,251	0.97%	\$ 139,667	Continuing collection	\$ 1,066	\$ -

4. The name and location of the investee company and other relevant information:

Name of investment company	Name of investee	Location of the Company	Main business activities	Initial investment amount		Shareholding at the end of the period			Gain (loss) of investees	Investment income (loss) recognized in the current period	Remarks
				End of current period	End of last year	Number of shares (Thousand shares)	Ratio (%)	Carrying amount			
Xu Yuan Company	Hong Yuan Company	Taiwan	Manufacturing and wholesale of plastic products and related machinery and molds	\$ 24,738	\$ 24,738	4,400	100	\$ 11,129	\$ 44	\$ 44	Notes 2 and 3
	XU YUAN Company	USA	Overseas holding company	16,000	16,000	700	100	9,944	(546) (USD 17)	(546)	Note 2
	DASE-SEAL Company	BVI	Sales of sleeve labeling machines and color shrink labels	8,336	8,336	320	100	9,490	3 USD 1	3	Note 2
	SLEEVE SEAL, LLC	USA	Manufacture and sale of sleeve labeling machines and color shrink labels	6,455	6,455	1	35	26,373	4,839 USD 157	1,694	Notes 2

(Continued on next page)

(Continued from previous page)

Name of investment company	Name of investee	Location of the Company	Main business activities	Initial investment amount		Shareholding at the end of the period			Gain (loss) of investees	Investment income (loss) recognized in the current period	Remarks
				End of current period	End of last year	Shares (In Thousand)	Percentage (%)	Carrying amount			
Xu Yuan Company	XYP JAPAN Company	Japan	Sales of sleeve labeling machines and color shrink labels	\$ 25,097	\$ 25,097	8	100	\$ -	\$ - JPY -	\$ -	Note 2
	XYP India Company	India	Sales of sleeve labeling machines and color shrink labels	4,255	4,255	22	100	1,961	- RUPEE -	-	Note 2
	XYPD Company	Brazil	Manufacturing and sale of color shrink labels	63,522	63,522	4,608	51	38,311	28,386 REAL 4,665	14,477	Notes 2 and 3
	PT. XUYUAN Company	Indonesia	Manufacturing and sales of color shrink labels and plastic products; sales of sleeve labeling machines	194,396	194,396	6,200	62	145,956	(9,627) (RUPIAH 4,620,457)	(5,969)	Notes 1 and 3
	PT. Chen Hong Company	Indonesia	Manufacturing and sale of plastic granules and transparent film materials	4,566	4,566	1	10	4,103	24 RUPIAH 36,444	2	Notes 2 and 3
	PT. CHENG Kuang Company	Indonesia	Manufacture and sale of complete sets of labeling machines and other equipment	26,026	26,026	9	95	23,942	(10) (RUPIAH 6,728)	(9)	Note 2
Hong Yuan Company	HONG SHENG Company	Samoa	Overseas holding company	3,076	3,076	100	100	7,863	(50) (USD 2)	(50)	Note 2
	PT. Chen Hong Company	Indonesia	Manufacturing and sale of plastic granules and transparent film materials	41,094	41,094	1	90	41,943	24 RUPIAH 36,444	22	Note 2
	PT. CHENG Kuang Company	Indonesia	Manufacture and sale of complete sets of labeling machines and other equipment	1,370	1,370	1	5	1,260	(10) (RUPIAH 6,728)	(1)	Note 2
HONG SHENG Company	Hong Tai Company	Taiwan	Sale of packaging machinery and plastic products	3,000	3,000	300	100	7,774	(50)	(50)	Note 2

Note 1: Calculated based on the investee company's financial statements reviewed and verified by CPAs during the same period.

Note 2: Calculated based on the investee company's financial statements not reviewed and verified by CPAs during the same period.

Note 3: Includes write-off of intercompany unrealized gains and losses.

Note 4: As of September 30, 2023, the aforementioned securities were not secured, pledged for borrowings, or otherwise restricted to users as agreed.

(III) Disclosure of investment information in Mainland China

- Name of the investee company in Mainland China, main business activities, paid-in capital, method of investment, inflow and outflow of capital, ownership percentage, investment income or loss, book value of the investment at the end of the year, repatriations of investment income, and limit of investment in Mainland China:

Unit: NTD, CNY, and USD in thousand

Name of investee company in Mainland China	Main business activities	Paid-in capital	Method of investment	Accumulated investment amount remitted from Taiwan at the beginning of the current year	Investment amount remitted outdoors or recovered in the current year		Accumulated investment amount remitted from Taiwan at the end of the current year	Gain (loss) of investees	Direct or indirect shareholding of the Company	Investment income (loss) recognized in the current period (Note 2)	Book value of investment at end of period	Investment income repatriated by the end of the year
					Outward remittance	Recovered						
Shanghai Hongxu Company	Assembly of packaging machinery and equipment and spare parts, grinding machines, and giant beds, sales of self-produced products, and provision of related technical consultation and technical services	\$ 20,370 RMB 5,056	Note 1	\$ 20,370 USD 700	\$ -	\$ -	\$ -	(\$ 546) (RMB124)	100%	(\$ 546) (RMB124)	\$ 8,039 RMB 1,821	\$ -

Cumulative investment amount remitted from Taiwan to Mainland China at the end of the current year	Investment amount approved by the Investment Commission, MOEA	Per the limit of investment in Mainland China as specified by the Investment Commission, MOEA
\$20,370 USD 700	\$20,370 USD 700 (Note 1)	\$ 488,896

Note 1: Xu Yuan Company has invested in XU YUAN PACKAGING TECHNOLOGY CO., LTD. in December 2009 and indirectly acquired the investee companies in Mainland China. The investment has been approved by the Investment Commission, Ministry of Economic Affairs.

Note 2: The calculation is based on the financial statements of the same period that have not been reviewed by CPAs.

- The following significant transactions with investee companies in Mainland China, either directly or indirectly through a third region, and their prices, terms of payment, unrealized gains and losses, and other information helpful for understanding the

impact of investments in Mainland China on the financial statements: Please refer to Note XXXII (V).

- (IV) Information of major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage:

Name of major shareholder	Share	
	Number of shares currently held (share)	Share holding ratio
Xu Yao Investment Co., Ltd.	9,081,949	16.56%
Xu Hung Investment Co., Ltd.	4,265,288	7.78%
Ya-Ping Chuang	3,245,015	5.91%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the Company's common and special shares that have completed scriptless registration (including treasury shares) on the last business day of the quarter calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's consolidated financial statements and the actual number of shares that have completed the dematerialized registration and delivery may be different due to different calculation bases.

Note 2: The above information will be disclosed based on the trust accounts opened by the trustees. As for the insider declaration of the ownership of more than 10% of the shares held by the shareholders in accordance with the Securities and Exchange Act, including the shares held by the shareholder and the shares delivered into the trust and with the decision power over the utilization of the trust assets, please refer to the MOPS for information on the insider declaration of equity.

- (V) Business relationship and important transactions between the parent company and its subsidiaries and among the subsidiaries, and amounts:

January 1, 2023 to September 30, 2023

Name of Transaction Party	Counterparty of transactions	Relationship with counterparties (Note 2)	Status of transaction			
			Account titles	Amount	Trading conditions	Percentage (%) of consolidated total operating revenues or total assets
Xu Yuan Company	Hong Yuan Company	1	Other receivables	\$ 32,483	Note 1	2%
		1	Prepayment for purchase	5,294	Note 1	-
	Shanghai Hongxu Company	1	Operating revenue	382	Note 1	-
		1	Trade receivable	116	Note 1	-
		1	Other receivables	3,690	Note 1	-
	XYP India Company XYPD Company	1	Accounts payable	272	Note 1	-
		1	Other receivables	1,732	Note 1	-
		1	Operating revenue	1,084	Note 1	-
		1	Other income	1,874	Note 1	-
		1	Trade receivable	260	Note 1	-
		1	Other receivables	140,991	Note 1	7%

(Continued on next page)

(Continued from previous page)

Name of Transaction Party	Counterparty of transactions	Relationship with counterparties (Note 2)	Status of transaction			
			Account titles	Amount	Trading conditions	Percentage (%) of consolidated total operating revenues or total assets
	XYP JAPAN PT. XUYUAN Company PT. CHENG HONG Company	1	Other receivables	8,718	Note 1	-
		1	Operating revenue	2,514	Note 1	-
		1	Operating cost	262	Note 1	-
		1	Trade receivable	2,636	Note 1	-
		1	Other receivables	58,137	Note 1	3%
		1	Accounts payable	2,431	Note 1	-
		1	Other receivables	4,774	Note 1	-
Hong Yuan Company	XYPD Company Hong Tai Company PT. XUYUAN Company	2	Other receivables	6,090	Note 1	-
		2	Contract liabilities	20	Note 1	-
		1	Trade receivable	6,358	Note 1	-
		1	Accounts payable	13,144	Note 1	1%
		2	Accounts payable	2,582	Note 1	-
PT. CHENG Hong Corporation	PT. XUYUAN Company	2	Operating revenue	28,188	Note 1	3%
		2	Operating cost	1,387	Note 1	-
		2	Trade receivable	47,849	Note 1	2%
		2	Accounts payable	35,167	Note 1	2%
		2	Other payable	3,890	Note 1	-
		2	Contract liabilities	14,123	Note 1	1%
PT. CHENG Kuang Corporation	PT. XUYUAN Company	2	Accounts payable	364	Note 1	-
XYPD Company	PT. XUYUAN Company	2	Accounts payable	24	Note 1	-

Note 1: The sales and purchases between the parent company and its subsidiaries are conducted in accordance with the general sales and purchase conditions. The payment period is O/A 30 to 120 days, and the collection period is O/A 30 to 90 days. Currently, the amount is charged based on the subsidiary's funding position.

Note 2: 1 Represents transactions between the parent company and its subsidiaries.
2 Represents transactions between subsidiaries.

XXXIII. Segment Information

The information used by the Company's operating decision-makers to allocate resources and evaluate department performance focuses on product-specific information. The measurement basis of the segment information provided by the Company to the operating decision-maker for review is the same as that in the financial statements. Therefore, for the segment revenue and operating results to be reported in six months ended June 30, 2023 and 2022, please refer to the consolidated comprehensive income statements for nine months ended September 30, 2023 and 2022; For the reportable segment assets as of September 30, 2023, December 31, 2022 and September 30, 2022, refer to the consolidated balance sheets as of September 30, 2023, December 31, 2022 and September 30, 2022.