



**DingZing Advanced Materials Inc.**

# **2022 Annual Report**

**This annual report is available at :**

Market Observation Post system

<http://mops.twse.com.tw/>

**The Company's website :** [www.dingzing.com](http://www.dingzing.com)

Printed on April 30, 2023

**1. The name, title, telephone number, and e-mail address of the spokesman or acting spokesman:**

Spokesman: Howard K. Lin

Title: President

Telephone number: 07-807-0166

E-mail address : howard.lin@dingzing.com

Acting spokesman: Bin-Zhen Huang

Title: Chairman's special assistant

Telephone number: 07-807-0166

E-mail address: moore8008@dingzing.com

**2. The address and telephone number of Dingzing's headquarters, branch offices, and factories**

**1. Headquarters**

Address: No. 8-1, Beilin Rd., Xiaogang District, Kaohsiung City

Telephone number: 07-807-0166

**2. Pingtung Branch**

Address: No. 10, Yuantung St., Pingtung City, Pingtung County

Telephone number: 08-755-0369

**3. Factory**

Kaohsiung Factory:

Address: No. 8-1, Beilin Rd., Xiaogang District, Kaohsiung City

Telephone number: 07-807-0166

Pingtung Factory:

Address: No. 10, Yuantung St., Pingtung City, Pingtung County

Telephone number: 08-755-0369

**3. The name, address, website, and telephone number of the agency handling shares transfer**

Name: Stock Affairs Agency of First Securities Inc.      Website: <http://www.ftsi.com.tw>

Address: 6F, No. 27, Sec. 1, Anhe Rd., Da'an District, Taipei City 106

Telephone number: 02-2563-5711

**4. The names of the certified public accountants who duly audited the annual financial report for the most recent fiscal year, and the name, address, website and telephone number of the accounting firm to which they belong**

Names of the CPAs: CPA Jun-Kai Wang, CPA A-Shen Liao

Name of Accounting Firm: Pricewaterhousecoopers Taiwan

Address: 22F, No. 95, Minzu 2<sup>nd</sup> Rd., Kaohsiung City 800

Website: <http://www.pwc.tw/>

Telephone number: 07-237-3116

**5. The name of any exchanges where Dingzing's securities are traded offshore, and the method by which to access information on said offshore securities: None**

**6. The address of Dingzing's website: <http://www.dingzing.com.tw/>**

# ingzing Advanced Materials Inc.

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# 1. Report to Shareholders

Dear Shareholders,

In 2022, Dingzing's consolidated operating revenue was NT\$2,607,212,000, for an increase of NT\$67,469,000 from the consolidated operating revenue of NT\$2,539,743,000 in 2021. The net profit after tax was NT\$265,652,000, for a decrease of NT\$14,594,000 from the net profit after tax of NT\$280,246,000 in 2021; the basic earnings per share after tax was NT\$4.00, which was NT\$0.55 less than the basic earnings per share after tax of NT\$4.55 in 2021. We hereby report Dingzing's consolidated operation status in 2022 as shown below:

## 1. Operating results of 2022

### (1) 2022 business plan implementation results

Unit: NT\$1,000

Item	2022	2021	Amount increased / decreased	Percentage of increase or decrease
Consolidated operating revenue	2,607,212	2,539,743	67,469	2.66
Consolidated gross profit	678,125	695,677	(17,552)	(2.52)
Net profit (loss) before tax	335,486	357,194	(21,708)	(6.08)
Net profit (loss) after tax	265,652	280,246	(14,594)	(5.21)
Basic earnings per share (NT\$)	4.00	4.55	(0.55)	(12.09)

### (2) Budget implementation

This does not apply because Dingzing did not disclose financial forecasts.

### (3) Financial revenue and expenditure and profitability analysis

Item		2022	2021
Financial structure (%)	Debt to assets ratio (%)	40.02	47.34
	Ratio of long-term capital to property, plant and equipment (%)	121.72	137.35
Solvency(%)	Current ratio(%)	151.88	230.36
	Quick ratio(%)	80.45	126.67
Profitability(%)	Return on assets(%)	5.95	6.57
	Return on equity(%)	9.88	12.04
	Net profit margin(%)	10.19	11.03
	Earnings per share (NT\$)	4.00	4.55

### (4) Research and development status

The Company continues to cooperate with our customers in research and development for innovative TPU applications, in order to produce products that meet global trend and to create

maximum value for our shareholders. For the outlook of 2023, we will be fully aware of brand customers' demands based on global trends in order to adjust our marketing strategies and production structure. For the mid-to-long term perspective, we will continue to develop high-value-added products and deliver them in large quantities in order to continue to deepen Dingzing's leading position and core competitiveness.

## 2. 2023 business plan outline

### (1) Operating policies:

Along with the rapid evolution of global industries, competition among all companies has been upgraded; no longer is it all about pure speed, quality, technology, flexibility, and manufacturing costs. Now, it's also about global platform logistics and resources integration within group enterprises. In addition to continuously expanding the TPU industry, Dingzing is also dedicated to global deployment with real-time adjustment of production and marketing strategies, in accordance with global development trends. We continue to implement Dingzing's business philosophy of "Science, Innovation, and Collaboration", and to deepen both domestic market cultivation and international business development, with the expectation of creating more value for our shareholders.

### (2) Expected sales volume and its basis:

Unit: KG

Product category	2023 expected sales volume
Thin films	7,963,485
Pipe belts	333,926
Seals	105,749

The aforementioned expected sales volume is estimated based on 2022 sales status and the overall economy in 2023.

### (3) Important production and marketing policies:

1. Continuous improvement of process capability, enhancement of production efficiency with cost reduction, and improvement of customer satisfaction.
2. Development of high-value-added products with enhanced market competitiveness.
3. Cooperation with international brands to explore new markets.
4. Staying on top of the latest market trends to find the best marketing strategies.

## 3. Future company development strategies

- (1) Implementation of Dingzing's core values of "Science, Innovation, and Collaboration" in conjunction with existing marketing and R&D capabilities for product innovation and continuous development of core capabilities.
- (2) Continuous expansion of product applications with development towards high-value-added and diversified application materials to become the leading supplier of comprehensive applications of thermoplastic polyurethane.
- (3) Research and development of forward-looking products to explore new markets.
- (4) Active expansion in Europe, the US, southeast Asia, and emerging markets.
- (5) Continuous recruitment and training of outstanding talents to achieve the mid-to-long-term organizational objectives.



- (6) In addition to focusing on the development of green and environmentally friendly products, we will also development high-value-added products according to the industrial trend and customer demand to enhance our internal core technologies.
4. Impacts of external competitive environment, regulatory environment, and overall business environment
- (1) External competitive environment:
- According to the Taiwan Institute of Economic Research's 2023 outlook, under the impacts of mutant viruses, the Russia-Ukraine War, high inflation, and climate change, major economies have already started a cycle of interest rate hikes to fight against inflation, and global manufacturing activities have been slowed down significantly, and all this will continue to 2023. The economic performances of the United States and Europe may fall into zero growth or even recession. Although China's economy is expected to rebound due to the relaxation of anti-pandemic and control measures, the magnitude of the rebound still depends on the time of impacts of the recent loosening of anti-pandemic and control policies on economy. Therefore, major international forecasting agencies still believe that the global economy growth in 2023 will be slower than that in 2022. In addition, in terms of prices of commodities, along with the gradually eased supply chain bottleneck, it is unlikely that the prices of international bulk commodities such as crude oil and food will soar again. With the continuously shrinking freight volume, the recent international freight rate index has continued to decline and the base period has been increased, thus Dingzing's products have a considerable impact on the market prices.
- Responsive measures: We will continue to strengthen one-stop production with strict inventory control to reduce costs; products with poor profits will be gradually phased out through the development of new products to maintain Dingzing's profits. In response to pandemic impacts, operations and sales strategies will be adjusted to ensure the smooth operation of Dingzing.
- (2) Regulatory environment:
- The Company has always adhered to the spirit of honesty and integrity for business operation while complying with laws and regulations and fulfilling social responsibilities. Therefore, there is no significant impact of regulatory environment on Dingzing.
- (3) Overall business environment:
- For the outlook of overall business environment in 2023, currently most major forecast agencies have predicted a significant decline of global economy in 2023, and the economies in US and Europe may even fall into regression with ongoing inflation issue. During the dilemma between economic growth and inflation, the global demands for solar energy, wind power, new energy vehicles, and environmentally friendly green materials have been expanded, and the pressure of oversupply of petrochemical raw materials such as olefins and ethylene glycol still exists, which is worthy of continued attention.
- In response to the international trends, the priority is the adjustment of global layout strategies on a rolling basis. In addition to improvement of service quality and development of high-value-added products, Dingzing will also adjust the internal system and operating activities of Dingzing in order to enhance the profitability to reward all shareholders, and we hope all you shareholders can continue to support us.

Chairman      Hsun-Tai Lin

## 2. Company Profile

2.1 Date of Founding: March 6, 1981

2.2 Company History:

Year	Events
1981	Established under the name of Dingzing Chemical Products Co., Ltd. with paid-in capital of NT\$2 million.
	U-Seals began to be distributed to agencies and dedicated factories worldwide under the Company's own brand (DingZing, DZ).
1982	Established the production line for air hoses and conveyor belts, and began manufacturing related products.
1984	Air hoses and conveyor belts were exported to Japan under the Company's own brand, used in air compressors and conveyors for the food and medical industry.
1987	Conducted a cash capital increase of NT\$8 million, increasing the Company's paid-in capital to NT\$10 million.
1989	Established the production line for film and began manufacturing film products, expanding the organizational scale of the Company.
1994	Successfully developed the Company's first TPU (thermoplastic polyurethane) waterproof and breathable film.
1995	Conducted a cash capital increase of NT\$5 million, increasing the Company's paid-in capital to NT\$15 million.
1998	Conducted a cash capital increase of NT\$10 million, increasing the Company's paid-in capital to NT\$25 million.
2000	Conducted a capital increase of NT\$15 million by distributing earnings and a cash capital increase of NT\$10 million, increasing the Company's paid-in capital to NT\$50 million.
2002	Conducted a capital increase of NT\$33 million by distributing earnings and a cash capital increase of NT\$17 million, increasing the Company's paid-in capital to NT\$100 million.
	Leased approximately 28,000 square meters of land (Land serial No. 1208-5 in the Linhai Industrial Park in Xiaogang District, Kaohsiung City) from the Ministry of Economic Affairs for the Company's operating base.
2003	Built factory buildings A, B, C, D, E, and F.
2004	Obtained ISO 14001 certification.
	Conducted a capital increase of NT\$10 million by distributing earnings and a cash capital increase of NT\$10 million, increasing the Company's paid-in capital to NT\$120 million.
2006	Conducted a capital increase of NT\$30 million by distributing earnings, increasing the Company's paid-in capital to NT\$150 million.
2007	Successfully developed a "method for manufacturing rolling wheel for carbon toner cartridge and rolling wheel made by the same" and obtained patents in Taiwan, Japan, the United States, China, and South Korea.
	Obtained patents in Taiwan and Japan for a "shock-absorbing device with elasticity".
	Collaborated with international sports brand to develop "seamless technology" and successfully applied it to athletic shoes.
	Conducted a cash capital increase of NT\$30 million, increasing the Company's

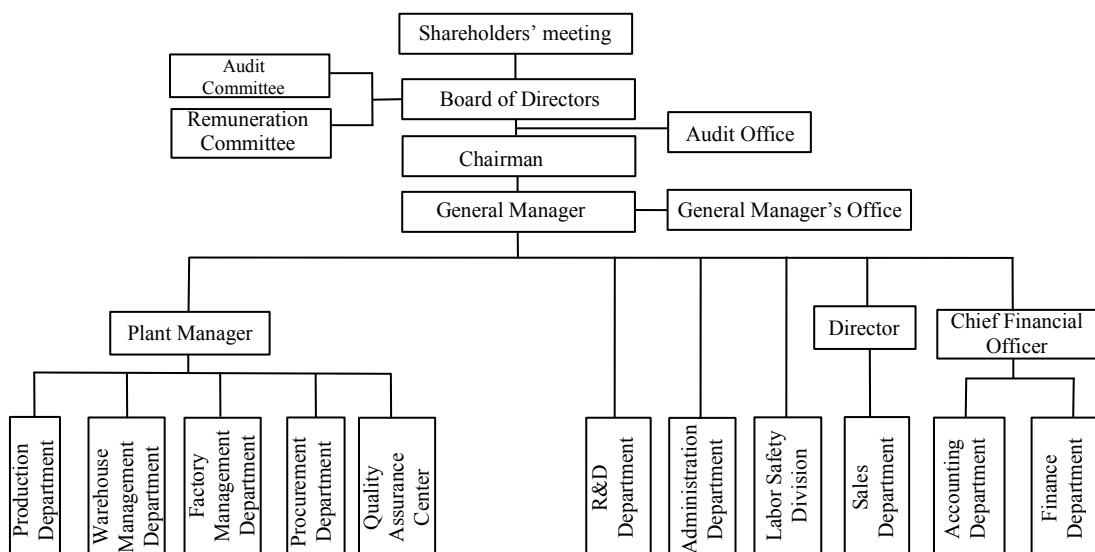
Year	Events
	paid-in capital to NT\$180 million.
2008	Successfully developed a "luminous ball" and a "seamless joining method for sports equipment" and received patents in Taiwan.
	Obtained ISO 9001 certification.
	Built factory building G.
2009	Successfully developed a "method for producing waterproof and breathable film and products made from the same" and received patent in the United States.
	Conducted a capital increase of NT\$20 million by distributing earnings, increasing the Company's paid-in capital to NT\$200 million.
2011	Conducted a capital increase of NT\$50 million by distributing earnings, increasing the Company's paid-in capital to NT\$250 million.
	Collaborated with German automobile brand to develop an inflatable airbag for lumbar support in car seats to improve driving comfort.
2012	To strengthen the business focus of innovation, the Company rebranded its corporate image and logo after 30 years and deepened the three core values of Science, Innovation, and Collaboration in its corporate culture.
	Officially expanded into the medical field and began collaborating with a well-known healthcare product manufacturer to develop waterproof, breathable adhesive bandages.
	Began developing TPU (thermoplastic polyurethane) films based on biodegradable materials and sought US FDA (Food and Drug Administration) approval.
	Conducted a cash capital increase of NT\$150 million, increasing the Company's paid-in capital to NT\$400 million.
	Built factory building H.
	Invested in establishing Ding Zing Polyurethane Europe B.V. (18,000 €).
2013	Successfully developed the composite materials made from laminating TPU (thermoplastic polyurethane) with different materials, and began to apply them in different fields.
	The Company's independently developed biodegradable film was adopted by well-known snowboard manufacturer to make its snowboards.
	Conducted capital increase of NT\$200 million through debt-to-equity swaps, increasing the Company's paid-in capital to NT\$600 million.
	Invested in establishing Lindford & Lindford Investment Inc. (US\$5.4 million).
	Acquired 100% equity of Shanghai Dintex Trading Co., Ltd. through Lindford & Lindford Investment Inc. (US\$2.4 million).
	Invested in establishing Dongguan Dingli Polyurethane Trading Co., Ltd. through Lindford & Lindford Investment Inc. (US\$1.6 million).
2014	Applied for an authorized capital of NT\$1 billion, with a paid-in capital of NT\$600 million.
2015	Received the 3rd Potential Taiwan Mittelstand Award from the Industrial Development Bureau of the Ministry of Economic Affairs.
	The Company changed its name to "Dingzing Advanced Materials Incorporated".
	Increased capital for Dongguan Dingli Polyurethane Trading Co., Ltd. through Lindford & Lindford Investment Inc. (US\$1.4 million).

Year	Events
2016	Built factory building K.
	On June 29th, the Company was approved for public offering by the Taipei Exchange (TPEX).
	On August 15th, the Company established a Remuneration Committee and an Audit Committee.
	On September 8th, the Company was registered as an emerging stock on the Taipei Exchange (TPEX).
2017	The investment structure of the Company's indirect investment in Dongguan Dingli Polyurethane Trading Co., Ltd. and Shanghai Dintex Trading Co., Ltd. in China was adjusted to be directly invested and held by the company. The Company previously invested in Dongguan Dingli Polyurethane Trading Co., Ltd. and Shanghai Dintex Trading Co., Ltd. in China through Lindford & Lindford Investment Inc. In Brunei. This investment structure has been adjusted; the Company now directly invests in the aforementioned two companies in China.
	The Company established a U.S. holding company, Dingzing Advanced Materials USA, Inc., and set up a subsidiary (sub-subsidiary) company, Dingzing Advanced Materials USA LLC, in New Jersey.
	Conducted the conversion of employee stock options into 118,000 shares.
2018	The Company signed a land lease agreement with the Pingtung Branch of the Export Processing Zone Administration, Ministry of Economic Affairs.
	Established a subsidiary, Dingzing Advanced Materials Vietnam Co., Ltd., in Vietnam.
	Conducted the conversion of employee stock options into 1,430,000 shares.
2019	Completed the land lease-to-purchase process for the "006688" plan with the Ministry of Economic Affairs.
2020	Established a branch in Pingtung.
2021	Established a factory in Pingtung.
	Through Dingzing Advanced Materials Incorporated (KY), a Cayman Islands subsidiary wholly (100%) owned by the Company, the Company increased its investment in the US holding company Dingzing Advanced Materials USA (DZ_DE), and indirectly increased its investment in Dingzing Advanced Materials USA LLC in the US (US\$1,000,000).
2022	The public listing of Dingzing stock was approved by the Taiwan Stock Exchange Co., Ltd. on January 21.
	The issuance of 7,695,000 ordinary shares via cash capital increase was approved by the Taiwan Stock Exchange Co., Ltd. on April 11.
2023	Invested in founding German subsidiary Dingzing Advanced Materials Europe GmbH.

### 3. Corporate Governance Report

#### 3.1 Organization

##### (1) Organizational Structure



##### (2) Business of major departments.

Name of department	Responsibilities of each department
General Manager's Office	<ol style="list-style-type: none"> <li>1. Handling matters related to Board of Directors and shareholders' meetings.</li> <li>2. Matters related to legal issues such as patents, trademarks, etc.</li> <li>3. Planning of medium to long-term development strategies and research projects, as well as tracking and evaluating departmental business goals and operational performance.</li> <li>4. Execution of public relations and philanthropic donations.</li> </ol>
Audit Office	Inspecting and reviewing the deficiencies in the internal control system, measuring the effectiveness of operations, and providing improvement recommendations.
Finance Department	Financial management, including financial processing related to cash management, treasury management, and fund scheduling.
Accounting Department	Accounting management, including accounting processing related to all accounts and taxes.
Sales Department	Promoting products, customer and market development, and related matters.
Labor Safety Division	Environmental safety and other related businesses.
Administration Department	Formulating, revising, and establishing human resource regulations and systems, allocation of human resources, career development, safety planning, and compensation and benefits of employees.
R&D Department	Researching and developing new products and improving the quality of existing products.
Quality Assurance Center	Based on the Company's business goals and quality policies, formulating quality control policies and plans, guiding the responsibilities of the subordinate quality control business, and directing and supervising the handling of business operations.

Name of department	Responsibilities of each department
Procurement Department	<ol style="list-style-type: none"> <li>1. Formulating procurement strategies.</li> <li>2. Collecting supplier information and developing suppliers' list.</li> <li>3. Handling matters related to return of raw materials with abnormal quality, claims, notarization, and related services.</li> <li>4. Analyzing and controlling the inventory and cost of raw material.</li> </ol>
Factory Management Department	Maintenance of production machinery and electrical equipment within the factory, and providing strategies for equipment and process improvement.
Warehouse Management Department	Management of incoming and outgoing raw materials and materials, production line material requisition, and distribution management.
Production Department	Manufacturing of products, control of delivery schedules, and manufacturing technology.

## 3.2 Profiles of Directors, Supervisors, General Manager, Vice President, Deputy Executive Vice President, Division Heads, and Branch Heads

### 3.2.1 Directors and Indendpent Directors

#### (1) Profiles of Directors and Indendpent Directors

April 30, 2023

Title	Nationality or place of registr-ation	Name	Gender Age	Election (Appointment) Date	Term of Office	Initial Election Date	Shares at Election		Current shareholding		Current shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in the company and/or in any other company	Other officer, directors or supervisors with a spousal or other 2nd degree of kinship			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Sharehold ing ratio			Title	Name	Relation	
Chairman	R.O.C.	Hsun-Tai Lin	Male 70-75	May 27, 2022	3 years	March 6, 1981	5,734,600	9.32%	5,734,600	8.28%	836,800	1.21%	—	—	Dept. of Fishery, Keelung Maritime Senior High School Chairman of Dingzing Advanced Materials Incorporated	Note 2	Director and General Manager	Howard K. Lin	Father and son	Note 1
Director	R.O.C.	Dinger Investment Co., Ltd.	—	May 27, 2022	3 years	February 18, 2016	20,097,300	32.65%	20,097,300	29.02%	—	—	—	—	—	—	—	—	—	—
	R.O.C.	Representative of Juristic Person: Howard K. Lin	Male 40-45	May 27, 2022	3 years	February 18, 2016	—	—	800,900	1.16%	105,000	0.15%	—	—	Department of East Asian Languages and Cultural Studies, University of California, USA General Manager of Dingzing Advanced Materials Incorporated	Note 3	Chairman Director	Hsun-Tai Lin Po-Jen Liang	Father and son Father-in-law	—
Director	R.O.C.	Po-Jen Liang	Male 70-75	May 27, 2022	3 years	August 15, 2016	180,000	0.29%	180,000	0.26%	59,000	0.09%	—	—	Chang Jung High School Director of Largan Precision Co., Ltd.	—	Director and General Manager	Howard K. Lin	Son-in-law	—
Director	Japan	Akihiko Satomi	Male 45-50	May 27, 2022	3 years	May 27, 2020	—	—	—	—	—	—	—	—	Department of Economics, Keio University General Manager, Strategy Planning Office, Global Marketing Div., Petroleum & Chemicals Solution Group, Mitsubishi Corporation	Note 4	—	—	—	—
Independ ent Director	R.O.C.	Kuo-Pin Su	Male 80-85	May 27, 2022	3 years	August 15, 2016	—	—	—	—	—	—	—	—	Department of Accountancy, National Cheng Kung University Chief of Revenue Service Office, Kaohsiung County (City) Adjunct Lecturer of Open College of Business Affiliated with National Cheng Kung University	CPA of Zhenxing Certified Public Accountants	—	—	—	—
Independ ent Director	R.O.C.	Shun-Tien Chen	Male 75-80	May 27, 2022	3 years	August 15, 2016	—	—	—	—	—	—	—	—	Department of Accountancy and Statistics, National Cheng Kung University Vice President of Land Bank of Taiwan Vice President of Ta Chong Commercial Bank Co., Ltd. President of Huayulien Development Co., Ltd.	Golden Long Teng Development Co., Ltd./ Independent Director Huang Hsiang Construction Corporation/ Independent Director Hi-Lai Foods Co., Ltd. / Independent Director SanDi Properties Co., Ltd./ Chief Financial Officer and Acting Spokesperson	—	—	—	—
Independ ent Director	R.O.C.	Ming-Feng Chan	Male 65-70	May 27, 2022	3 years	August 15, 2016	—	—	—	—	—	—	—	—	Ph. D. of Department of Optics and Photonics, National Central University Associate Professor of Department of Mechanical Engineering, National Kaohsiung University of Applied Sciences	Golden Long Teng Development Co., Ltd./ Independent Director	—	—	—	—
Independ ent Director	R.O.C.	Hubert Hu	Male 60-65	May 27, 2022	3 years	May 27, 2022	—	—	—	—	—	—	—	—	Master of Department of Industrial and Management, National Cheng Kung University KPMG Taiwan-Manager of Audit Division	CPA of Hwahan Certified Public Accountants Logah Technology Corporation/Representative of Juristic Person Fluxtek International Corp./Representative of Juristic Person E-Rotek Water Systems Co., Ltd./ Supervisor Quan Mei Technology Co., Ltd./ Director Wei Han Environmental Industrial Co., Ltd./ Supervisor	—	—	—	—

Note 1: If the Chairman and the Genral Manager or equivalent positions (top management) are first-degree relatives, the reasons, rationality, necessity, and information on countermeasures shall be explained:

The Chairman and the General Manager of the Company are first-degree relatives. Therefore, an additional independent director has been elected, and the number of independent directors in the Company is four.

The General Manager is familiar with business management and formulating operational goals, which is beneficial to the future operation and development of the Company.

Note 2: Chairman of the Company, Chairman of Shanghai Dintex Trading Co., Ltd., Chairman of Dongguan Dingli Polyurethane Trading Co., Ltd., Chairman of Dingzing Advanced Materials Incorporated, Chairman of Dingzing Advanced Materials USA Inc., Chairman of Dingzing Advanced Materials USA LLC, Chairman of Dingzing Advanced Materials Vietnam Co., Ltd., Chairman of Ding Yu Investment Co., Ltd., Chairman of Dinger Investment Co., Ltd., Chairman of Zhongyi Investment Co., Ltd.

Note 3: President of the Company, Supervisor of Shanghai Dintex Trading Co., Ltd., Supervisor of Dongguan Dingli Polyurethane Trading Co., Ltd., Director and President of Dingzing Advanced Materials Incorporated, President of Dingzing Advanced Materials USA Inc., President of Dingzing Advanced Materials USA LLC, Director of Dingzing Advanced Materials Europe GmbH, Director of Ding Yu Investment Co., Ltd., Director of Dinger Investment Co., Ltd., Director of Zhongyi Investment Co., Ltd.

Note 4 : P.T. Kansai Paint Indonesia/コミサリス、Mitsubishi Corporation (Tianjin) Ltd./Director, SANLIN Corporation/Representative Director and President

(2) Major Shareholders of Juristic Person Shareholder

April 30, 2023

Name of Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholder	Shareholding ratio %
Dinger Investment Co., Ltd.	Hsun-Tai Lin	51.40%
	Shu-Hui Lee	10.37%
	Howard K. Lin	25.00%
	Fang-Yu LIN	13.23%

(3) Where the major shareholder is a juristic person, the major shareholder thereof: There is no such situation.



(4) Disclosure of specialized qualifications of directors and independence of independent directors

Criteria Name	Specialized qualification and experience	Independence status	The number of independent director positions held in other publicly listed companies
Hsun-Tai Lin	The Company was founded in 1981 by Chairman Hsun-Tai Lin. He currently serves as Chairman of the Company, Shanghai Dintex Trading Co., Ltd., Dongguan Dingli Polyurethane Trading Co., Ltd., Dingzing Advanced Materials Incorporated, Dingzing Advanced Materials USA Inc., Dingzing Advanced Materials USA LLC, Dingzing Advanced Materials Vietnam Co., Ltd., Ding Yu Investment Co., Ltd., Dinger Investment Co., Ltd., and Zhongyi Investment Co., Ltd. He has many years of experience in corporate management and is not under any circumstances specified in the provisions of Article 30 of the Company Act.	There is no violation of the independence requirements under the Securities and Exchange Act among the directors of the Company.	0
Representative of Dinger Investment Co., Ltd.: Howard K. Lin	He is currently the General Manager of the Company and also serves as a supervisor of Shanghai Dintex Trading Co., Ltd., Dongguan Dingli Polyurethane Trading Co., Ltd., a director and President of Ding Zing Polyurethane Europe B.V., President of Dingzing Advanced Materials Incorporated, President of Dingzing Advanced Materials USA Inc., President of Dingzing Advanced Materials USA LLC, a director of Dingzing Advanced Materials Europe GmbH, and a director of Ding Yu Investment Co., Ltd., Dinger Investment Co., Ltd., and Zhongyi Investment Co., Ltd. He is not under any circumstances specified in the provisions of Article 30 of the Company Act.		0
Po-Jen Liang	He previously served as a director of Largan Precision Co., Ltd. and is not under any circumstances specified in the provisions of Article 30 of the Company Act.		0
Akihiko Satomi	He is currently the executive officer in charge of the Mitsubishi Corporation group (P.T. Kansai Paint Indonesia/ コミサリス ,Mitsubishi Corporation (Tianjin) Ltd./Director, SANLIN Corporation/Representative Director and President) and has background in the chemical industry, and is not under any circumstances specified in the provisions of Article 30 of the Company Act.		0
Kuo-Pin Su	He is currently the accountant of Zhenxing Certified Public Accountants and has previously worked as the Director of Revenue Service Office in Kaohsiung City (County) and as a part-time lecturer at the National Cheng Kung University's Open Junior College of Commerce. He possesses a qualified certified public accountant and has more than five years of working experience in business, legal, financial, accounting, or corporate affairs, meeting the specialized qualification requirement for an independent director; and he is not under any circumstances specified the provisions of Article 30 of the Company Act.	The Company's four independent directors have not violated the independence requirements specified in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0

Criteria Name	Specialized qualification and experience	Independence status	The number of independent director positions held in other publicly listed companies
Shun-Tien Chen	He is currently the independent director of Golden Long Teng Development Co., Ltd., independent director of Huang Hsiang Construction Corporation, independent director of Hi-Lai Foods Co., Ltd., and Chief Financial Officer and Acting Spokesperson of Sandi Properties Co., Ltd. He has previously served as Vice President of Land Bank Of Taiwan, Vice President of Ta Chong Commercial Bank Co., Ltd., and President of Hua Yu Lien Development Co., Ltd. for many years. He possesses abundant and diverse industry connections, as well as practical experience in corporate management, and has more than five years of working experience in business, legal, financial, accounting, or corporate affairs, meeting the specialized qualification requirement for an independent director; and he is not under any circumstances specified in the provisions of Article 30 of the Company Act.		3
Ming-Feng Chan	Having served as an associate professor in the Department of Mechanical Engineering at the National Kaohsiung University of Applied Sciences for many years and possessing expertise in mechanical engineering, he can provide suggestions on production equipment for the Company. He also has lecturing experience in business, legal, financial, accounting, or related departments of public or private colleges and universities, meeting the specialized qualification requirement for an independent director; and he is not under any circumstances specified in the provisions of Article 30 of the Company Act.		1
Hubert Hu	He is currently a certified public accountant at Hwahan Certified Public Accounts, the legal representative and director of Logah Technology Corporation, the legal representative and director of Fluxtek International Corp., the supervisor of E-Rotek Water Systems Co., Ltd., a director of Quan Mei Technology Co., Ltd., and a supervisor of Wel Han Environmental Industrial Co., Ltd. In addition, he has previously served as a Manager of the Audit Department at KPMG Taiwan, and as a part-time lecturer at a university. He is a qualified certified public accountant and has more than five years of working experience in business, legal, financial, accounting, or related departments of companies, meeting the specialized qualification requirement for an independent director. He is not under any circumstances specified in the provisions of Article 30 of the Company Act.		0

## (5) Diversity and independence of the Board of Directors

### A.Diversity of the Board of Directors

The Company advocates and respects the policy of board diversification. To strengthen corporate governance and promote the sound development of the composition and structure of the Board, we believe that a diversified policy can help enhance the overall performance of the Company. The selection of the Board members is based on the principle of selecting people based on their abilities. The Board members selected have diverse and complementary capabilities in cross-industry fields, including basic criteria and values (such as age, nationality, and culture), specialized knowledge and skills (such as accounting, industry, finance, etc.), specialized backgrounds and industry experience, as well as business judgment, management, leadership decision-making, and crisis management capabilities. To strengthen the functional capabilities of the Board to achieve the set corporate governance goals, Article 20 of the Company's Corporate Governance Best Practice Principles stipulates that the Board as a whole shall possess the following capabilities: business operating judgment, accounting and financial analysis, operating management, crisis management, industry knowledge, international market perspective, leadership, and decision making.

The diversity policy and implementation status of the current members of the Board of the Company are as follows:

Diversified core projects Director name	Basic Conditions and Value								Industry experience						specialized ability	
	Nationality/ Culture	Having employee status	Age				Tenure of independent director		chemical industry	Specialized Services and Marketing	Operation and Management	Banking and Insurance	Commerce and Supply	Optoelectronics and Mechanics	Accounting	Industry
			Less than 60	61 - 70	71 - 80	Over 80	Less than 3 years	Over 3 years								
Hsun-Tai Lin	R.O.C.	✓			✓		—	—	✓	✓	✓		✓			✓
Howard K. Lin	R.O.C.	✓	✓				—	—	✓	✓	✓		✓			✓
Po-Jen Liang	R.O.C.				✓		—	—			✓		✓			✓
Satomi Akihiko	Japan		✓				—	—	✓	✓	✓		✓			✓
Independent Director Kuo-Pin Su	R.O.C.					✓		✓			✓				✓	✓
Independent Director Shun-Tien Chen	R.O.C.				✓			✓		✓	✓	✓			✓	✓
Independent Director Ming-Feng Chan	R.O.C.			✓				✓			✓			✓		✓
Independent Director Hubert Hu	R.O.C.			✓			✓				✓				✓	✓

Considering the current Board of Directors of the Company, which consists of eight members (including four independent directors), overall, they possess the capabilities of business operating judgement, accounting and financial analysis, operating management, crisis management, industry knowledge, international market perspectives, leadership, and decision making, as well as industry experience and specialized capabilities. Among them, Chairman Hsun-Tai Lin, director Howard K. Lin, and director Akihiko Satomi have operating management and industry experience. Director Po-Jen Liang and director Shun-Tien Chen have previously served as directors of listed companies. Independent director Kuo-Pin Su and independent director Hubert Hu are qualified certified public accountants who have practical experience. Independent director Shun-Tien Chen, who previously served as a Vice President of a bank, has financial expertise. Independent director Ming-Feng Chan, who previously served as an associate professor at a university, possesses specialized knowledge and teaching experience.

The Company has 8 directors, with a composition structure consisting of 4 independent directors (50%), 1 foreign director (13%), and 2 directors (25%) who are employees of the Company. The age distribution of the directors includes 2 directors below the age of 60, 2 directors

between the ages of 61 and 70, 3 directors between the ages of 71 and 80, and 1 director above the age of 80.

The diversity, complementarity, and implementation of the Board of Directors meet the criteria specified in Article 20 of the Company's Corporate Governance Best Practice Principles. In the future, we will continue to review and revise our diversity policies as necessary, based on the operation of the Board, the type of business, and development needs. These policies will include, but are not limited to, criteria for the basic requirements and values, as well as specialized knowledge and skills. This will ensure that all members of the Board have the knowledge, skills, and qualities necessary to fulfill their duties.

#### B. Independence of the Board of Directors:

The Company has 4 independent directors, accounting for 50% of the total number of directors. The current 4 independent directors have expertise in finance, accounting and academic fields, and are able to effectively fulfill their supervisory functions. Chairman Hsun-Tai Lin and director Howard K. Lin of the Company are father and son, while director Howard K. Lin and director Po-Jen Liang are father-in-law and son-in-law. There are 3 directors who are spouses or second-degree relatives of each other, which is less than half of the total number of directors, and there are no circumstances that violate the provisions of Article 26-3(3) and (4) of the Securities and Exchange Act.

### 3.2.2 Profiles of General Manager, Vice President, Deputy Executive Vice President, Division Heads, and Branch Heads

April 30, 2022

Title	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Shareholding held by spouse & minor children		Shareholding held through nominees		Principal work experience and academic qualifications	Position(s) held concurrently in any other company	Manager with a spousal or other 2nd degree of kinship			Note
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Title	Name	Relation	
General Manager	R.O.C.	Howard K. Lin	Male	June 8, 2022	800,900	1.16%	105,000	0.15%	—	—	Department of East Asian Languages and Cultural Studies, University of California, USA Special Assistant of Dingzing Advanced Materials Incorporated Vice President of Dingzing Advanced Materials Incorporated	Note 2	Chairman	Hsun-Tai Lin	Father and son	—
Vice President	R.O.C.	Bruce Huang	Male	August 10, 2022	—	—	—	—	—	—	Department of Diplomacy, National Chengchi University Head of US Subsidiary, Dingzing Advanced Materials Incorporated	—	—	—	—	—
Project Senior Manager	R.O.C.	TUNG-SHAN CHIANG	Male	August 11, 2020	35,000	0.05%	6,000	0.01%	—	—	Master, Chemistry Section, Institute of Oceanography, National Taiwan University Project Senior Manager, Dingzing Advanced Materials Incorporated	—	—	—	—	—
Product Development Director	R.O.C.	LINDA CHU	Female	August 11, 2020	35,000	0.05%	—	—	—	—	Department of Philosophy, Fu Jen Catholic University Senior Manager of Dingzing Advanced Materials Incorporated Product Development Director of Dingzing Advanced Materials Incorporated	—	—	—	—	—
Manager	R.O.C.	HSUEH-LIN WANG	Male	April 24, 1995	34,000	0.05%	—	—	—	—	Department of Chemical and Materials Engineering, Chin-Yi College of Technology Head of Molding Department, Dingzing Advanced Materials Incorporated Manager of Dingzing Advanced Materials Incorporated	—	—	—	—	—
Director of Management Division	R.O.C.	JUI-KUNG PAN	Male	March 1, 1994	25,000	0.04%	—	—	—	—	Department of Business Administration, Cheng Shiu College of Technology Operator of HONMYUE ELECTRONIC	—	—	—	—	—
Director of Finance and Accounting	R.O.C.	Meng-Yang Chiu	Male	March 8, 2022	17,000	0.02%	—	—	—	—	Master of Department of Accounting and Information, National Chung Cheng University Accounting Chief of Yen Sun Technology Corp. Manager of Audit Department, Pricewaterhousecoopers Taiwan	—	—	—	—	—

Note 1: If the Chairman and the General Manager or equivalent positions (top management) are first-degree relatives, the reasons, rationality, necessity, and information on countermeasures shall be explained:  
The Chairman and the General Manager of the Company are first-degree relatives. Therefore, an additional independent director has been elected, and the number of independent directors in the Company is four.

The General Manager is familiar with business management and formulating operational goals, which is beneficial to the future operation and development of the Company.

Note 2: General Manager of the Company, Supervisor of Shanghai Dintex Trading Co., Ltd., Supervisor of Dongguan Dingli Polyurethane Trading Co., Ltd., Director and General Manager of Dingzing Advanced Materials Incorporated, General Manager of Dingzing Advanced Materials USA Inc., General Manager of Dingzing Advanced Materials USA LLC, Director of Dingzing Advanced Materials Europe GmbH, Director of Ding Yu Investment Co., Ltd., Director of Dinger Investment Co., Ltd., Director of Zhongyi Investment Co., Ltd.

### 3.3 Remuneration paid during the most recent year (2022) to directors, general manager and vice presidents

#### 3.3.1 Remuneration to directors (Including independent directors)

Unit: NT\$thousand

Title	Name	Remuneration to Directors								The sum of A, B, C and D and proportion to net profit after tax		Remuneration to the capacity as employees								The sum of A, B, C, D, E, F and G and proportion to net profit after tax		Remuneration received from an invested company other than the company's subsidiary or parent company
		Remuneration (A)		Pension(B)		Remuneration to directors (C)		Business execution expenses (D)				Salaries, bonus and special disbursement(E)		Pension (F)		Remuneration to employees (G) )						
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Hsun-Tai Lin	—	—	—	—	989	989	—	—	989 0.37%	989 0.37%	3,471	4,267	—	—	160	—	160	—	4,620 1.74%	5,416 2.04%	None
Juristic Person Director Representative of Juristic Person and General Manager	Dinger Investment Co., Ltd. Howard K. Lin	—	—	—	—	800	800	—	—	800 0.30%	800 0.30%	1,315	4,965	59	59	160	—	160	—	2,334 0.88%	5,984 2.25%	None
Director	Po-Jen Liang	—	—	—	—	800	800	—	—	800 0.30%	800 0.30%	—	—	—	—	—	—	—	—	800 0.30%	800 0.30%	None
Director	Akihiko Satomi	—	—	—	—	800	800	—	—	800 0.30%	800 0.30%	—	—	—	—	—	—	—	—	800 0.30%	800 0.30%	None
Independent Director	Kuo-Pin Su	445	445	—	—	—	—	—	—	445 0.17%	445 0.17%	—	—	—	—	—	—	—	—	445 0.17%	445 0.17%	None
Independent Director	Shun-Tien Chen	445	445	—	—	—	—	—	—	445 0.17%	445 0.17%	—	—	—	—	—	—	—	—	445 0.17%	445 0.17%	None
Independent Director	Ming-Feng Chan	445	445	—	—	—	—	—	—	445 0.17%	445 0.17%	—	—	—	—	—	—	—	—	445 0.17%	445 0.17%	None
Independent Director	Hubert Hu	270	270	—	—	—	—	—	—	270 0.10%	270 0.10%	—	—	—	—	—	—	—	—	270 0.10%	270 0.10%	None
<div><div>1. Please describe the remuneration policy, system, standards, and structure for independent director and explain the relationship between the amount of remuneration and factors such as responsibilities, risks, and input time: The remuneration received by the directors and independent directors of the Company is handled in accordance with the provisions of the Company's Articles of Incorporation. Article 27 of the Articles of Incorporation stipulates that if the Company is profitable in a fiscal year, it may allocate no more than 5% of the earnings as director remuneration. All independent directors of the Company serve as members of the Audit Committee and the Remuneration Committee and receive fixed remuneration.</div><div>2. Other than the above disclosure, the remuneration received by the company's directors for services provided in the most recent year (such as serving as a consultant for the parent company, all companies listed in the financial statements, or non-employee investee companies): None.</div></div>																						

Note 1: On June 8, 2022, the Board of Directors of the Company passed a resolution to appoint the current Chairman, Hsun-Tai Lin, as the Acting General Manager. In response to business needs, Howard K. Lin, the current Vice President, was promoted to the position of General Manager, effective on June 8, 2022.

### Classification of remuneration

Classification of Remuneration paid to directors	Name of Directors			
	Sum of the 4 Remunerations (A+B+C+D)		Sum of the 7 Remunerations (A+B+C+D+E+F+G)	
	The Company	All companies mentioned in the financial statements H	The Company	All companies mentioned in the financial statements I
Less than 1,000,000	Hsun-Tai Lin; Howard K. Lin, Representative of Dinger Investment Co., Ltd.; Po-Jen Liang; Akihiko Satomi; Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan; Hubert Hu	Hsun-Tai Lin; Howard K. Lin, Representative of Dinger Investment Co., Ltd.; Po-Jen Liang; Akihiko Satomi; Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan; Hubert Hu	Po-Jen Liang; Akihiko Satomi; Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan; Hubert Hu	Po-Jen Liang; Akihiko Satomi; Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan; Hubert Hu
NT\$1,000,000(inclusive)~NT\$2,000,000(exclusive)	—	—	—	—
NT\$2,000,000(inclusive)~NT\$3,500,000(exclusive)	—	—	Howard K. Lin, Representative of Dinger Investment Co., Ltd.	—
NT\$3,500,000(inclusive)~NT\$5,000,000(exclusive)	—	—	Hsun-Tai Lin	—
NT\$5,000,000(inclusive)~NT\$10,000,000(exclusive)	—	—	—	Hsun-Tai Lin、Howard K. Lin, Representative of Dinger Investment Co., Ltd.
NT\$10,000,000(inclusive)~NT\$15,000,000(exclusive)	—	—	—	—
NT\$15,000,000(inclusive)~NT\$30,000,000(exclusive)	—	—	—	—
NT\$30,000,000(inclusive)~NT\$50,000,000(exclusive)	—	—	—	—
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	8 persons	8 persons	8 persons	8 persons

3.3.2 Remuneration to supervisors: not applicable

### 3.3.3 Remuneration to president and vice presidents

Unit: NT\$thousand

Title	Name	Salaries (A)		Pension (B)		Bonus and special disbursement (C)		Remuneration to the employees (D)				The sum of A, B, C and D and proportion to net profit after tax (%)		Remuner- ation received from an invested company other than the company's subsidiary or parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
Chairman (Note 1)	Hsun-Tai Lin	3,024	3,820	-	-	447	447	160	-	160	-	1.37%	1.67%	-
General Manager(Note 1)	Howard K. Lin	1,072	4,722	59	59	243	243	160	-	160	-	0.58%	1.95%	-
Vice President (Note 2)	Bruce Huang	400	4,367	24	24	173	173	224	-	224	-	0.31%	1.80%	-

Note 1: On June 8, 2022, the Board of Directors of the Company passed a resolution to appoint the current Chairman, Hsun-Tai Lin, as the Acting General Manager. In response to business needs, Howard K. Lin the current Vice President, was promoted to the position of General Manager, effective on June 8, 2022.

Note 2: On August 10, 2022, the Board of Directors of the Company passed a resolution to promote Bruce Huang, the former head of DingZing in the United States, to the position of Vice President of the Company, effect on September 1, 2022.



### Classification of remuneration

Classification of Remuneration paid to President and Vice Presidents	Name of General Manager and Vice Presidents	
	The Company	All companies mentioned in the financial statements
Less than 1,000,000	Bruce Huang	—
NT\$1,000,000(inclusive)~NT\$2,000,000(exclusive)	Howard K. Lin	—
NT\$2,000,000(inclusive)~NT\$3,500,000(exclusive)	—	—
NT\$3,500,000(inclusive)~NT\$5,000,000(exclusive)	Hsun-Tai Lin	Hsun-Tai Lin、Bruce Huang
NT\$5,000,000(inclusive)~NT\$10,000,000(exclusive)	—	Howard K. Lin
NT\$10,000,000(inclusive)~NT\$15,000,000(exclusive)	—	—
NT\$15,000,000(inclusive)~NT\$30,000,000(exclusive)	—	—
NT\$30,000,000(inclusive)~NT\$50,000,000(exclusive)	—	—
NT\$50,000,000(inclusive)~NT\$100,000,000(exclusive)	—	—
Over NT\$100,000,000	—	—
Total	3 persons	3 persons

### 3.3.4 Names of managerial officers with remuneration as employees and the status of payment:

December 31, 2022

Unit: NT\$thousand

	Title	Name	Stock	Cash	Total	Proportion to net profit after tax (%)
Managerial officers	Chairman	Hsun-Tai Lin	—	3,096	3,096	1.17
	General Manager	Howard K. Lin				
	Vice President	Bruce Huang				
	Project Senior Manager	TUNG-SHAN CHIANG				
	Product Development Director	LINDA CHU				
	Manager	HSUEH-LIN WANG				
	Director of Management Division	JUI-KUNG PAN				
	Director of Finance and Accounting	Meng-Yang Chiu				

3.3.5 Provide a comparative analysis of the total amount of remuneration paid to the directors, supervisors, General Manager, and vice president of the company and all the companies included in the consolidated financial statements, separately, as a percentage of the after-tax net earnings for the past two years. Also explain the policy, standards and composition of remuneration, the process of determining remuneration, and the relationship between management performance and future risks:

1. Analysis of the total amount of remuneration paid to the Company's directors, supervisors, General Manager, and Vice President over the past two years as a percentage of the after-tax net earnings reported by the parent-company-only financial statements:

Unit: NT\$thousand

Name	The proportion of the total remuneration to the net profit after tax in 2021		The proportion of the total remuneration to the net profit after tax in 2022	
	The Company	All companies mentioned in the consolidated financial statements	The Company	All companies mentioned in the consolidated financial statements
Total remuneration for the directors	4,896	4,896	4,994	4,994
The proportion of the total remuneration for the directors to the net profit after tax	1.75%	1.75%	1.88%	1.88%
Total remuneration for the General Manager and vice presidents	4,527	6,987	5,986	14,399
The proportion of the total remuneration for the General Manager and vice presidents to the net profit after tax	1.62%	2.49%	2.25%	5.42%

2. Policy, standards and composition of remuneration, the process of determining remuneration, and the relationship between management performance and future risks:

The remuneration of the Company's directors is determined in accordance with the Company's Articles of Incorporation, and the Regulations on the Remuneration of Employees, Directors, and Functional Committee Members approved by the Remuneration Committee. After considering the level of their participation and contribution to the

Company's operations and referring to the usual industry standards, the Remuneration Committee proposes a resolution to the Board of Directors for approval.

The remuneration of the Company's General Manager and Vice President is paid in accordance with agreement reached by both labor and management, taking into account the time they invested in, their responsibilities, their personal goal attainment, and their willingness to assume future risks. Reasonable remuneration is provided in accordance with the Company's short-term and long-term business goals financial condition, and other factors. The remuneration system will be reviewed periodically based on the Company's operating status and related laws and regulations to achieve a balance between sustainable operations and risk management.

In the future, the Remuneration Committee will evaluate the linkage between directors' remuneration and their sustainable performance (including environmental protection, employee care, and social public welfare issues) based on the Company's strategic direction, overall development, and maturity of sustainable development practices, in order to promote the spirit of sustainable management.

### 3.4 Corporate governance practices

#### 3.4.1 Operation of the Board of Directors

Board meetings were held 9 times (A) in 2022. The attendances of directors and independent directors are as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate 【B/A】 (%)	Remarks
Chairman	Hsun-Tai Lin	9	0	100%	Newly assumed on March 6, 1981. Assumed on May 27, 2022.
Juristic Person Director Representative of Juristic Person and General Manager	Howard K. Lin, Representative of Dinger Investment Co., Ltd.	8	1	89%	Newly assumed on February 18, 2016. Assumed on May 27, 2022.
Director	Po-Jen Liang	9	0	100%	Newly assumed on August 15, 2016. Assumed on May 27, 2022.
Director	Akihiko Satomi	9	0	100%	Newly assumed on May 27, 2020. Assumed on May 27, 2022.
Independent Director	Kuo-Pin Su	9	0	100%	Newly assumed on Aug. 15, 2016. Assumed on May 27, 2022.
Independent Director	Shun-Tien Chen	9	0	100%	Newly assumed on Aug. 15, 2016. Assumed on May 27, 2022.
Independent Director	Ming-Feng Chan	9	0	100%	Newly assumed on Aug. 15, 2016. Assumed on May 27, 2022.

Independent Director	Hubert Hu	6	0	100%	Newly assumed on May 27, 2022. Assumed on May 27, 2022.
Other matters to be recorded:					
1. If any of the following circumstances occur in the operation of the Board of Directors, the date of the Board meeting, term, content of motion, the opinions of all independent directors, and the company's handling of the opinions of independent directors shall be disclosed:					
(1) Matters listed in Article 14-3 of the Securities Exchange Act.					
(2) Resolutions of the Board of Directors that are opposed or reserved by independent directors and have records or written statements, other than the above matters: None.					
2. The implementation of directors' avoidance of motion that involves conflict of interest shall include the names of the directors, the content of motion, the reasons for avoidance, and whether they participated in the vote or not.					
Date of Board Meeting	Name of Director	Content of motion	Reason for avoidance	Vote	
March 8, 2022 (Note 1)	Hsun-Tai Lin; Po-Jen Liang; Akihiko Satomi	Distribution of remuneration of employees and directors for 2021	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	
	Hsun-Tai Lin; Po-Jen Liang; Akihiko Satomi	Distribution of remuneration of directors for 2021	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	
	Hsun-Tai Lin	Distribution of remuneration of managers and employees for 2021	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	
	Hsun-Tai Lin	Review of remuneration of managers for 2022	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	
April 13, 2022	Hsun-Tai Lin; Howard K. Lin; Po-Jen Liang; Akihiko Satomi; Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan	List of director candidates nominated by the Board (including independent directors)	Due to the involvement of conflict of interest, directors' avoidance was implemented in accordance with the laws	Did not participate in the discussion or voting	
	Hsun-Tai Lin; Howard K. Lin; Po-Jen Liang; Akihiko Satomi; Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan	Lifting non-competition restriction for newly appointed directors and their representative	Due to the involvement of conflict of interest, directors' avoidance was implemented in accordance with the laws	Did not participate in the discussion or voting	
June 8, 2022	Hsun-Tai Lin; Howard K. Lin	Change of the Company's President	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	
111.08.10	Kuo-Pin Su; Shun-Tien Chen; Ming-Feng Chan; Hubert Hu	Salary adjustment for the Company's independent directors	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	
	Hsun-Tai Lin; Howard K. Lin	Salary adjustment for the Company's managers	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting	

111.12.16	Hsun-Tai Lin; Howard K. Lin	Distribution of bonus for the Company's managers for 2022	Due to involvement of personal interest, recused in accordance with the law	Did not participate in the discussion or voting
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Note 1: The legal representative director of the Company, Howard K. Lin, commissioned Chairman Hsun-Tai Lin to attend the Board meeting on March 8, 2022.

3. Listed companies shall disclose information regarding the cycle and period, scope, method, and content of their board's self-evaluation (or peer evaluation):

**Implementation status of Evaluation of the Board of Directors**

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	From January 1, 2022 to December 31, 2022	Board of Directors	Self-evaluation of the Board	1. Degree of involvement in the Company's operations 2. Enhancing the quality of the Board's decision-making 3. Composition and structure of the board 4. Selection and continuing education of directors 5. Internal control
Once a year	From January 1, 2022 to December 31, 2022	Members of the Board	Self-evaluation of the members of the Board	1. Understanding of the Company's goals and mission 2. Awareness of director's responsibilities 3. Degree of involvement in the Company's operations 4. Internal relationship management and communication 5. Director's expertise and continuing education. 6. Internal control
Once a year	From January 1, 2022 to December 31, 2022	Functional committees	Self-evaluation of the functional committees	1. Degree of involvement in the Company's operations 2. Awareness of the responsibilities of functional committees 3. Enhancing the decision-making quality of functional committees 4. Composition and member selection of functional committees. 5. Internal control

Note: The evaluation was conducted through a questionnaire, including self-evaluation by the Board and self-evaluation by the Board members. The performance evaluation results of the Board of Directors, the Audit Committee and the Remuneration Committee for 2022 were reported to the Board meeting on March 14, 2023. The evaluation results of the Board and the functional committees all met the evaluation criteria, and the overall operation was sound.

4. Measures taken to strengthen the functionality of the Board (such as establishing an Audit Committee, enhancing information transparency, etc.) in the current and most recent year:
- (1) The Company has established the Rules and Procedures of Board Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies to ensure compliance. The directors and independent directors of the Company actively participate in and attend Board meetings, fully expressing their opinions. Relevant financial information is disclosed on the Market Observation Post System.
  - (2) The Company has established an Audit Committee consisting of four independent directors, who exercise their powers in accordance with the scope of responsibilities of independent directors. The Committee is responsible for ensuring proper expression of the Company's financial statements, selecting and dismissing certified public accountants and assessing their independence and performance, ensuring the effective implementation of the Company's internal controls, ensuring compliance with the law and regulations, and controlling existing or potential risks of the Company.
  - (3) The Company has established a Remuneration Committee consisting of four independent directors, which regularly evaluates and reviews the performance evaluation and remuneration policies of directors and managers. Please refer to

the Item 3 of the Corporate Governance Practices and Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons for Such Differences for the implementation status.

- (4) The Company has purchased Directors and Officers Liability Insurance to cover the liability for compensation that directors shall bear within their scope of responsibilities during their tenure.

### 3.4.2 The function of Audit Committee

A total of 7 (A) Audit Committee meetings were held in 2022. The attendance of independent directors is as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)	Remarks
Independent Director	Kuo-Pin Su	7	0	100%	
Independent Director	Shun-Tien Chen	7	0	100%	
Independent Director	Ming-Feng Chan	7	0	100%	
Independent Director	Hubert Hu	4	0	100%	Newly assumed the audit member on May 27, 2022.

Other matters to be recorded:

- If any of the following circumstances occur, the dates of meetings, terms, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion shall be specified:

(1) Matters listed in Article 14-5 of the Securities Exchange Act.

Date of the Audit Committee meeting	Content of motion	Opinion of the Audit Committee members	The Company's response to the opinion of the Audit Committee members
2022.03.08	1. The Company's business report and financial statements for 2021	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
	2. The Company's Statement on Internal Control for 2021		
	3. Proposal to conduct a cash capital increase and issue new shares for public underwriting prior to the initial public offering		
	4. The assessment of the independence and suitability of the certified public accountant for the Company's financial statements		
	5. Appointment of the Company's certified public accountant		
	6. Changes in the Company's financial director, accounting director, and audit director		
	7. Establishment of the Company's governance director		
	8. Proposal to revise the CX-116 Regulations Governing the Acquisition or Disposal of Assets for the Company		
	9. Proposal to revise the CX-129 Accounting System for the Company		
	10. Proposal to revise the CX-119 Rules and Procedures of Shareholders' Meetings for the Company		
	11. Proposal to add the CX-163 Regulations for		

	Employee Stock Option for the Company		
2022.04.13	1. The Company's earnings distribution plan for 2021	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
	2. Proposal to revise the Company's Articles of Incorporation		
	3. Proposal to revise the CX-119 Rules and Procedures of Shareholders' Meetings for the Company		
	4. Proposal to revise the CX-139 Corporate Governance Best Practice Principles for the Company		
	5. Proposal to revise the CX-140 Corporate Social Responsibility Best Practice Principles for the Company		
2022.05.11	1. The Company's financial statements for the first quarter of 2022	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
2022.06.08	1. Proposal to elect the convener of the Audit Committee	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
2022.08.10	1. Proposal to change the certified public accountant in accordance with the organizational adjustment of the accounting firm	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
	2. The Company's financial statements for the second quarter of 2022		
	3. Proposal to revise the CX-134 Regulations for Compensation of Employees and Remuneration of Directors and Functional Committee Members for the Company		
	4. Proposal to revise the CX-120 Regulations for Approval Authority for the Company		
	5. Appointment of new important executives of the Company		
2022.11.09	1. The Company's financial statements for the second quarter of 2022	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
	2. Proposal to revise the CX-113 Rules and Procedures of Board Meetings for the Company		
2022.12.16	1. The Company's business plan for 2023	Approved by all Committee members present in the meeting	Submitted to the Board meeting for resolution
	2. The Company's audit plan declaration form for 2023		
	3. Proposal to revise the CX-136 Procedures for Handling Material Inside Information for the Company		
	4. Proposal to revise the CX-139 Corporate Governance Best Practice Principles for the Company		
	5. Proposal to revise the CX-120 Regulations for Approval Authority for the Company		
Resolution of the Audit Committee: Approved by all Committee members present in the meeting			
The Company's response to the opinion of the Audit Committee members: Approved by all directors present in the meeting			
(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.			

2. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, reasons for avoidance and voting shall be specified: None.
3. Communication status between independent directors, internal audit director and certified public accountants (should include significant matters, methods, results, etc. of the communication carried out on the Company's financial and business status):

(1) The internal audit director shall, upon completion of the audit operation in accordance with the audit plan, submit the audit report and follow-up report to the independent directors for review, and communicate and discuss the implementation status of internal audits and the operation of internal controls with the independent directors via email, phone call, or meeting. They shall also attend the Audit Committee meeting and regular Board meetings to report on the implementation status of audits. Communication between the Audit Committee and the internal audit director for 2022:

1. The audit plan for the next fiscal year shall be submitted to the Board of Directors for approval after being reviewed by the Audit Committee before the end of each fiscal year.
2. The internal audit director shall report the implementation status of the audits to the Audit Committee every quarter.
3. The internal audit report shall be submitted to the Audit Committee (independent directors) for review within one month from the date of completion of the audit.
4. The Audit Office and internal units shall continuously monitor and review the implementation of the improvement measures for the opinions or deficiencies raised during self-audit, as well as the improvement measures listed in the Statement on Internal Control, and submit a written report to the Audit Committee.
5. The evaluation of the effectiveness of the Company's internal control system and the submission of the Statement on Internal Control for review by the Audit Committee shall be conducted annually.
6. A summary of communication for 2022 is as follows:

Date	Communication meeting	Matter of communication	Result
2022.03.08	Audit Committee	Internal audit report for December 2021–January 2022	No objection
2022.04.13	Audit Committee	Internal audit report for February 2022	No objection
2022.05.11	Audit Committee	Internal audit report for March 2022	No objection
2022.06.08	Audit Committee	Internal audit report for April 2022	No objection
2022.08.10	Audit Committee	Internal audit report for May 2022–June 2022	No objection
2022.11.09	Audit Committee	Internal audit report for July 2022–September 2022	No objection
2022.12.16	Audit Committee	Internal audit report for October 2022–November 2022	No objection

(2) The Company's certified public accountants regularly attend the Audit Committee meetings to report on the results of the financial statement audit and communication matters required by law. If there are any special circumstances, they will also report to the Audit Committee in a timely manner. As of the date of the publication of the annual report, there were no such special circumstances.



3.4.3 Implementation Status of Corporate Governance as required for company, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		In accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company has established a Corporate Governance Best Practice Principles, which are disclosed on the Company's official website and the Market Observation Post System.	No major difference
2. Equity structure and shareholders' equity (1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	✓		(1) The Company has established Rules and Procedures of Shareholders' Meetings and holds annual general meetings as a regular channel of communication with shareholders, in order to establish a good and timely communication mechanism with investors. The Company has assigned a spokesperson and an acting spokesperson, and has disclosed the contact information on the Company's official website and the Market Observation Post system. Shareholders can express their opinions through phone calls or emails, and the Company will handle them in accordance with procedures.	No major difference
(2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders?	✓		(2) The Company has appointed the Stock Affairs Agency of First Securities Inc. to handle shareholder-related matters, and possess the list of its major shareholders as well as the ultimate owners of those shares based on the shareholder list of the Stock Affairs Agency. The Company also regularly reports changes in shareholdings of directors, managers, and shareholders holding more than 10% of shares, as required by regulations.	No major difference
(3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	✓		(3) The Company has established written regulations for business and financial transactions with its affiliates in accordance with the regulations of the competent authority. The regulations include the Regulations for the Supervision and Management of Subsidiaries and the Regulations for the Transaction with Affiliated Companies and provide risk management measures.	No major difference
(4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not	✓		(4) The Company has established the Regulations for Preventing Insider Trading to prohibit the Company's insiders from trading securities based on undisclosed information, or disclosing such information to others for insider trading purposes.	No major difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
disclosed to the market?				
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Board established a diversity policy, specific management goals and implemented it accordingly?</p>	✓		<p>(1) The Board of Directors has developed a policy on diversifying its members, along with specific management goals and implementation guidelines, as follows:</p> <ol style="list-style-type: none"> <li>1. The Company has established the Corporate Governance Best Practice Principles. The nomination and selection of members of the Board of Directors are carried out in accordance with the provisions of the Company's Articles of Incorporation, adopting a candidate nomination system to assess the qualifications and experience of each candidate. The Rules for Election of Directors and the Corporate Governance Best Practice Principles are followed to ensure the diversity and independence of the Board members.</li> <li>2. The Company currently has eight directors (including four independent directors), with specialized backgrounds covering fields such as industry, academia, finance, accounting, and management, to implement the policy of diversifying the composition of the Board of Directors. Details on the diversification of the members of the Board of Directors can be found in (Note 1).</li> </ol>	No major difference
<p>(2) Further to the establishment of the Remuneration Committee and the Auditing Committee, has the Company voluntarily established other functional committees?</p>		✓	<p>(2) The Company currently has established only the Remuneration Committee and the Audit Committee in accordance with the law, and has not established other functional committees. However, the Company may set up other functional committees in the future depending on operational needs.</p>	As explained on the left column
<p>(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for</p>	✓		<p>(3) The Company has established the Regulations for the Performance Evaluation of Board of Directors and Functional Committees. The Regulations stipulate that the Board of Directors shall conduct at least one internal performance evaluation of the Board of Directors each year. The evaluation methods include self-assessment questionnaires among members of the Board of Directors or other appropriate methods of evaluation. The Company completed the internal performance evaluation of the Board of Directors for 2022 on March 14, 2023.</p>	No major difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
individual director remuneration and renomination?				
(4) Has the Company evaluated the independence of the commissioned certified public accountants regularly?	✓		(4) In accordance with Article 30 of the Corporate Governance Best Practice Principles, the Company conducts an annual evaluation on the independence of certified public accountant. The independence of the certified public accountant for 2022 has been submitted to the Audit Committee and the Board of Directors for review on March 8, 2022 and has been approved. The evaluation criteria for the independence and suitability of certified public accountant can be found in (Note 2) the Certified Public Accountant Evaluation Form.	No major difference
4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?	✓		<ol style="list-style-type: none"> <li>1. To strengthen corporate governance, the Company announced on March 8, 2022 that the head of the Finance and Accounting Department, Meng-Yang Chiu, was appointed as the corporate governance director.</li> <li>2. The main responsibilities of the corporate governance director include handling corporate governance-related matters. The scope of authority and business conducted in 2022 are as follows: <ol style="list-style-type: none"> <li>(1) Assisting independent directors and directors in performing their duties, providing necessary information, and arranging continuing education.</li> <li>(2) Assisting the Board of Directors and shareholders meetings in procedural matters and compliance with decision-making procedures.</li> <li>(3) Assisting new directors in taking office and continuing education.</li> <li>(4) Handling director liability insurance for 2022 and reporting to the Board meeting in November</li> <li>(5) To implement corporate governance, performance evaluations have been conducted for the Board of Directors, Board members, and functional committees for 2022 and reported to the Board meeting in March 2023.</li> <li>(6) One investor conference was held for 2022 regarding operating performance. Necessary information is regularly disclosed to investors to ensure the protection of shareholders' interests.</li> <li>(7) The general annual meeting was held in May 2022, and the registration for the date of the meeting was carried out. Meeting notices, agendas, and minutes were prepared within the statutory deadline.</li> <li>(8) In 2022, a new Board of Directors was elected, and the first interim Board meeting was held on May 27 to elect a new Chairman.</li> <li>(9) Formulating the Board meeting agenda, notifying the directors seven days before the meeting, convening the</li> </ol> </li> </ol>	No major difference

Items for evaluation	Implementation Status					Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons			
	Yes	No	Summary						
			meeting, providing meeting materials, and sending the minutes of the Board meeting after the meeting. (10)Other matters specified in the Company's Articles of Incorporation or contracts. 3. Continuing education of Meng-Yang Chiu, corporate governance director of the Company, in 2022:						
			Title	Name	Date of training		Organizer	Name of course	Training hours
			Corporate governance director	Meng-Yang Chiu	2022. 07.27		Taipei Exchange	Sustainable Development Roadmap Industry Theme Promotion Conference	2
					2022. 10.19		The Institute of Internal Auditors, R.O.C.	Detection of Fraud Technology and Technological Applications in the Digital Age	6
					2022. 11.13 –14		Taiwan Stock Exchange	2022 Cathay Sustainable Finance and Climate Change Summit	9
					2022. 12.22		The Institute of Internal Auditors, R.O.C.	Policy Analysis and Seminar on Internal Audit and Internal Control Practices of Financial Statement Self-Compilation and Sustainability Reports	6
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR	✓		The Company has set up a stakeholder section on our official website and provided financial, business and corporate governance related information, serving as reference for shareholders and stakeholders.			No major difference			

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
issues such stakeholders are concerned with?				
6. Has the Company appointed a specialized shareholder services agent to deal with shareholder affairs?	✓		The Company has commissioned the Stock Affairs Agency of First Securities Inc. to handle shareholder-related matters.	No major difference
7. Disclosures (1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance?	✓		(1) The Company's official website ( <a href="http://www.dingzing.com">http://www.dingzing.com</a> ) has set up an investor section and is updated timely with financial, business, and corporate governance related information.	No major difference
(2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)?	✓		(2) 1. The Company's official website has established both Chinese and English versions for people to visit. 2. The Company has assigned a spokesperson and a dedicated person responsible for collecting the Company's information as well as disclosing the information in accordance with regulations through the Market Observation Post System.	No major difference
(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of		✓	(3) The Company has announced and reported financial statements and monthly revenues within the specified time frame in accordance with the List of Matters to be Handled by Issuers of Listed Marketable Securities. If there are any other major information that may affect shareholders or stakeholders' decisions, it shall be disclosed promptly.	No major difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
the required deadlines?				
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' and supervisors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	✓		<p>1. Employee rights and welfare: The Company has established an Employee Welfare Committee to fully promote and implement employee welfare matters, and provides retirement benefits in accordance with the law.</p> <p>2. Investor relations: In addition to having a spokesperson system, the Company also announces financial, business, and major information on the Market Observation Post System in a timely manner. The Company's official website also has an investor section that discloses promptly the Company's financial, business and corporate governance information.</p> <p>3. Supplier relations: The Company operates on the principle of ethical corporate management and establishes a good and long-term cooperative relationship with suppliers.</p> <p>4. Stakeholder rights: The Company has established a spokesperson and acting spokesperson communication system, and assigned a contact for stakeholders to ensure that the Company maintains good communication channels with employees, customers, and suppliers to protect their legal rights.</p> <p>5. Continuing education of directors: The Company's directors possess specialized knowledge and have taken courses in securities law and regulations in accordance with the law to obtain certificates of completion.</p> <p>6. Implementation of risk management policies and risk evaluation standards: The Company has established internal management regulations to conduct risk assessments.</p> <p>7. Implementation of customer policies: The Company maintains a good relationship with its customers and has dedicated personnel to provide timely customer service.</p> <p>8. Director liability insurance: The Company has purchased liability insurance for its directors and independent directors.</p>	No major difference
<p>9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures.</p> <p>The Company is not eligible for the evaluation; therefore, this does not apply.</p>				

Note 1: Implementation of Diversity among Board Members

Name	Gender	Management	leadership decision	Finance	Accounting	Industry knowledge
Hsun-Tai Lin	Male	✓	✓			✓
Representative of Dinger Investment Co., Ltd.- Howard K. Lin	Male	✓	✓			✓
Po-Jen Liang	Male	✓	✓			✓
Akihiko Satomi	Male	✓	✓			✓

Kuo-Pin Su	Male	✓	✓	✓	✓	✓
Shun-Tien Chen	Male	✓	✓	✓	✓	✓
Ming-Feng Chan	Male	✓	✓			✓
Hubert Hu	Male	✓	✓	✓	✓	✓

Note 2: Evaluation form for the assessment of certified public accountant

**Evaluation Form for the Independence and Suitability of Certified Public Accountant and the Associated Accounting Firm**

<b>I. Independence assessment</b>	<b>Yes</b>	<b>No</b>	<b>Note</b>
1. Has the certified public accountant served as a director of the Company or its affiliates?	✓		
2. Has the certified public accountant been a shareholder of the Company or its affiliates?	✓		
3. Has the certified public accountant been paid by the Company or its affiliates?	✓		
4. Has the certified public accountant confirmed that the associated accounting firm has complied with the independence standards?	✓		
5. Have any of the certified public accountants from the accounting firm associated with the certified public accountant served as a director, manager, or in a position that significantly affects the audit of the Company within the past year?	✓		
6. The certified public accountant has not provided auditing services to the Company for seven consecutive years.	✓		
7. Has the certified public accountant complied with the independence requirements specified in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10?	✓		
<b>II. Suitability assessment</b>	<b>Yes</b>	<b>No</b>	<b>Note</b>
1. The certified public accountant has not received any disciplinary action from the CPA Discipline Committee in the past two years.	✓		
2. Does the accounting firm have sufficient scale, resources, and regional coverage in handling the Company's audit services?	✓		
3. Does the accounting firm have clear quality control procedures? Does it cover aspects such as the level and focus of audit procedures, how audit issues and judgments are handled, quality control reviews of independence, and risk management?	✓		
4. Has the accounting firm timely informed the Board of Directors (Audit Committee) of any significant issues and developments regarding risk management, corporate governance, finance, accounting, and related risk controls?	✓		The certified public accountant has submitted all the audited financial statements to the Audit Committee for review and reported to the Board of Directors after their approval. Communication has been good.

3.4.4 If the Company has established a Remuneration Committee or Nominating Committee, its composition, responsibilities and operating status shall be disclosed:

1. Information on the members of the Remuneration Committee

By identity	Condition Name	Specialized qualification and experience	Independence status	Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies
Independent Director	Kuo-Pin Su	He is currently the accountant of Zhenxing Certified Public Accountants and has previously worked as the Director of Revenue Service Office in Kaohsiung City (County) and as a part-time lecturer at the National Cheng Kung University's Open Junior College of Commerce. He possesses a qualified certified public accountant and has more than five years of working experience in business, legal, financial, accounting, or corporate affairs, meeting the specialized qualification requirement for an independent director; and he is not under any circumstances specified the provisions of Article 30 of the Company Act.	(1)(2)(3)(4) (5)(6)(7)(8) (9)(10)	0
Independent Director (Convener)	Shun-Tien Chen	He is currently the independent director of Golden Long Teng Development Co., Ltd., independent director of Huang Hsiang Construction Corporation, independent director of Hi-Lai Foods Co., Ltd., and Chief Financial Officer and Acting Spokesperson of Sandi Properties Co., Ltd. He has previously served as Vice President of Land Bank Of Taiwan, Vice President of Ta Chong Commercial Bank Co., Ltd., and President of Hua Yu Lien Development Co., Ltd. for many years. He possesses abundant and diverse industry connections, as well as practical experience in corporate management, and has more than five years of working experience in business, legal, financial, accounting, or corporate affairs, meeting the specialized qualification requirement for an independent director; and he is not under any circumstances specified in the provisions of Article 30 of the Company Act.	(1)(2)(3)(4) (5)(6)(7)(8) (9)(10)	3



Independent Director	Ming-Feng Chan	Having served as an associate professor in the Department of Mechanical Engineering at the National Kaohsiung University of Applied Sciences for many years and possessing expertise in mechanical engineering, he can provide suggestions on production equipment for the Company. He also has lecturing experience in business, legal, financial, accounting, or related departments of public or private colleges and universities, meeting the specialized qualification requirement for an independent director; and he is not under any circumstances specified in the provisions of Article 30 of the Company Act.	(1)(2)(3)(4) (5)(6)(7)(8) (9)(10)	1
Independent Director	Hubert Hu	He is currently a certified public accountant at Hwahan Certified Public Accounts, the legal representative and director of Logah Technology Corporation, the legal representative and director of Fluxtek International Corp., the supervisor of E-Rotek Water Systems Co., Ltd., a director of Quan Mei Technology Co., Ltd., and a supervisor of Wel Han Environmental Industrial Co., Ltd. In addition, he has previously served as a Manager of the Audit Department at KPMG Taiwan, and as a part-time lecturer at a university. He is a qualified certified public accountant and has more than five years of working experience in business, legal, financial, accounting, or related departments of companies, meeting the specialized qualification requirement for an independent director. He is not under any circumstances specified in the provisions of Article 30 of the Company Act.	(1)(2)(3)(4) (5)(6)(7)(8) (9)(10)	0

Note: The independence status of each member during the two years before their appointment and during their tenure. (Those who meet the requirements are disclosed in the table above).

- (1) Not an employee of the Company or its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top ten in holdings.
- (4) Not a manager in preceding subparagraph (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding subparagraph (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or designates its representative to serve as a director or supervisor of the Company under Article 27(1) or (2) of the Company Act. (Not applicable in cases where

- the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor or employee of other company such that a majority of the Company's director seats or voting shares are controlled by the same person. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) The chairpman, president, or a person holding an equivalent position of the Company is not a director (or governor), supervisor, or employee of other company or institution, or are spouses. (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (8) Not a director (or governor), supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specified company or institution holds at least twenty percent but not exceeding fifty percent of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (9) They are not the professionals, owners of solely owned or joint venture companies or agencies, partners, directors, supervisors, managers and spouses who have provided audit services to the company or affiliated enterprises or acquired accumulated payment of more than NT\$500,000 in the past two years. However, the members of Remuneration Committee, Public Acquisition Review Committee or Special Merger Committee for performing duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.
- (10) There is no situations listed in Article 30 of the Company Act.

## 2. Information on Operations of Remuneration Committee

- (1) The Remuneration Committee of the Company is consisted of 4 members.
- (2) Term of office of the current members: May 27, 2022 to May 26, 2025, A total of 4 (A) Remuneration Committee meetings were held in the 2022, The qualifications of the committee members and the attendance are as follows:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (B/A) (%)	Remarks
Convener	Shun-Tien Chen	4	0	100%	
Member	Kuo-Pin Su	4	0	100%	
Member	Ming-Feng Chan	4	0	100%	
Member	Hubert Hu	3	0	100%	Newly assumed the Remuneration member on June 8, 2022.

### Other matters to be noted:

- Where the Board may not take or revise the advice of the Remuneration Committee, specify the date and the session of the Board, the content of the motion, the resolution of the Board, and the response to the opinions of the Company towards the advice of the Remuneration Committee (if the resolution of the Board suggested better position of remuneration than the advice of the Remuneration Committee, specify the reasons and the variations): There is no such situation.
- If there is any member with objection or preservation with records or written statement to the resolution by Remuneration Committee, the date and session of Remuneration Committee, the content of subject, the comments of all members, and the measures in response to these comments: There is no such situation.

3. Information on the members of the Nomination Committee and its operating status: The Company has not established a Nomination Committee; therefore, this does not apply.

3.4.5 Implementation status of the promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for such variance

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company established a governance framework to advocate sustainable development and set up a dedicated (part-time) unit, which is headed by a senior executive at the authorization of the Board and is supervised by the Board, to advocate sustainable development?	✓		(1) The Company has formulated the Sustainable Development Best Practice Principles, but has not yet assigned a dedicated (special) unit for promoting sustainable development. We will set it up when necessary.	As explained on the left column
2. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the Company's operations, and has the Company established the relevant risk management policies or strategies based on the materiality principle?		✓	(2) The Company has established regulations such as the Sustainable Development Best Practice Principles, Corporate Governance Best Practice Principles, and Ethical Corporate Management Best Practice Principles, actively planning strategies and directions for corporate social responsibility, promoting sustainable management, and corporate governance, and strictly complying with legal norms to provide colleagues with a good working environment, reasonable compensation and benefits. At the same time, we shoulder the important mission of sustainable environment. Our employees start with themselves to implement environmental protection and energy conservation practices, calling on colleagues to participate in social welfare activities. The Company's internal risk management policy adopts the principle of taking preventive measures in advance to reduce the losses caused by risks. We identify, assess, handle, and monitor potential risks that may affect the Company's goals, and regularly track and incorporate them into daily operations of each unit.	No significant deviation

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
3. Environmental Issues				
(1) Has the Company established an appropriate environmental management system in accordance with its industrial characteristics?	✓		(1) In addition to complying with the environmental protection regulations of the competent authority, the Company has obtained ISO14001 and ISO45001 certification for environmental management systems, and continuously promotes environmental management to avoid environmental pollution.	No major difference
(2) Has the Company made effort to enhance the efficient use of energy and used regenerated materials that have a low impact on the environment?	✓		(2) The Company has obtained the Global Recycled Standard (GRS) certification. Our main product, TPU film, is made from biodegradable TPU (thermoplastic polyurethane) and does not produce toxic gases during the heating process. We will continue to use eco-friendly recycled materials to minimize our environmental footprint.	No major difference
(3) Has the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken countermeasures to address the issues?	✓		(3) The Company is committed to addressing climate change and ensuring that every production step is carried out in the most energy-efficient manner possible. Our factory only uses electricity to produce high-tech films; as a result, we do not generate wastewater. Through comprehensive efforts, we are able to reduce our annual carbon dioxide emissions. In 2017, the Company voluntarily purchased 100,000 kWh of green electricity, which is 100% renewable energy primarily derived from wind and solar power. The carbon emission factor during the production period of this green energy is close to zero.	No major difference
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste materials for the past two years, and has the Company formulated policies for		✓	(4) The Company has disclosed information in its 2019 Corporate Social Responsibility (CSR) Report. However, the report for 2020 has not	As explained on the left column

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
greenhouse gas reduction, water use reduction, and other waste management?			been issued yet. In addition, the Company has installed energy-saving solar panels on the roof of our factories, which has saved 537,896 kWh of electricity per year.	
4. Social issues				
(1) Has the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?	✓		(1) The Company complies with labor laws and respects internationally recognized basic labor rights, guaranteeing the legal rights and interests of our employees. We consider each employee as the Company's most important asset and do not discriminate against them based on race, religion, gender, marital status, or political stance.	No major difference
(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, leave, and other benefits), and are operational performance and results appropriately reflected in employee compensation?	✓		(2) The Company adheres to Labor Standards Act and related regulations in setting compensation and welfare measures for employees and provides competitive benefits to motivate the employees.	No major difference
(3) Has the Company provided a safe and healthy work environment for employees, and provided education on labor safety and health regularly?	✓		(3) 1. The Company provides employees with a comfortable, safe, and healthy working environment, including implementing access control measures, conducting safety measurements in the workplace, providing regular labor safety education and training, and implementing a comprehensive indoor smoking ban. 2. With regard to employee health, the Company regularly organizes employee health checks, hires occupational health specialists and nursing staff to provide	No major difference

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			services in the factory area, and conducts health management and health promotion work such as employee health consultation, health care, special hazard job analysis, health check item assessment, and consultation to promote labor health service system and ensure the safety and health of workers.	
(4) Has the Company established the training program for the effective planning of career development for employees?	✓		(4) The Company offers employee skills training courses from time to time, helping colleagues to participate in internal and external training programs to continuously improve their expertise.	No major difference
(5) Does the Company comply with laws, regulations, and international standards when handling issues such as customer health and safety, customer privacy, and marketing and labeling of products and services? Has the Company established a policy and complaint procedure to protect consumer and customer rights and interests?	✓		(5) The Company is committed to providing comprehensive product solutions and developing innovative products. We have specialized units responsible for delivery, quantity, quality, packaging, and transportation. We also arrange regular customer visits for after-sales service. In order to ensure consumer rights and improve environmental quality, our products have obtained environmental certifications, such as Global Recycle Standard (GRS), Oeko-Tex, and Higg Index, and we take care to protect customer privacy and data.	No major difference
(6) Has the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	✓		(6) The Company has established supplier management regulations. If a supplier is found to violate our corporate social responsibility policy and have a significant impact on the environment and society, we consider temporarily or permanently terminating business relations with them.	No major difference
5. Does the Company refer to international standards or guidelines		✓	The Company has started the process of compiling a sustainability report, which is	As explained on the left column

Items for advocacy	Operation Status			Deviations from Corporate sustainable development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
in the preparation of its reports, such as Sustainability Report/ESG Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on previously-disclosed reports?			currently underway.	
<p>6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The Company's Board of Directors has established the Sustainable Development Best Practice Principles, and has long considered issues related to corporate social responsibility in both the design of our corporate system and the direction of our operational strategies. We have made positive and concrete efforts in promoting corporate governance, developing sustainable environments, maintaining social welfare, and disclosing corporate social responsibility. Our approach is based on positive humanistic thinking, and we have incorporated this into our methods, aiming to integrate our corporate culture. As a result, our overall operation with regards to corporate social responsibility conforms to the best practice principles, and there are no significant differences.</p>				
<p>7. Other useful information for explaining the implementation and status of sustainable development practices</p> <ol style="list-style-type: none"> <li>(1) The Company's waste is transported and processed by outsourced legal operators in accordance with environmental protection laws and regulations.</li> <li>(2) The Company has an Employee Welfare Committee that organizes welfare activities for employees, such as company trips and other employee related activities, signs contracts with designated stores, establishes club activities, and provides employees with a good working environment and reasonable benefits to achieve work-life balance.</li> <li>(3) The Company respects the human rights of all colleagues, provides fair and appropriate job opportunities to applicants and employees regardless of their race, beliefs, religion, political affiliation, gender, marital status, disabilities, or other government-protected factors, and applies these principles to recruitment, employment, training, promotion, salary and benefits.</li> <li>(4) The reporting of the Company's information to the Market Observation Post System is managed by a dedicated person. The person is responsible for collecting and disclosing the Company's information, ensuring that important information that may affect the decisions of shareholders and stakeholders can be disclosed in a timely and proper manner.</li> <li>(5) The Company actively engages in social welfare activities and regularly donates to the Kaohsiung Harbor City Police Friends Association, the Xiaogang Volunteer Fire Brigade of the Kaohsiung City Volunteer Fire Department, and other social welfare organizations to give back to society.</li> </ol>				

3.4.6 Differences Between Implementation of Ethical Corporate Management and Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, Including Reasons For Such

Items for evaluation	Implementation Status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Has the Company established an ethical corporate management policy that has been approved by the Board of Directors, and clearly stated the ethical corporate management policy and practices, as well as the commitment of the Board of Directors and the top management to actively implementing the management in the Articles of Incorporation and external documents?</p>	✓		(1) The Company has established the Procedures for Ethical Management and Guidelines for Conduct and the Code of Ethics in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. The Board of Directors and the management team fully understand and actively implement the operating standards, ensuring that they are effectively implemented in internal management and external business activities.	No major difference
(2) Has the Company established a mechanism to assess unethical conduct risks? Does that Company regularly analyze and evaluate the business activities within its scope of business that have a higher risk of unethical conduct? Has the Company accordingly formulated a plan to prevent unethical conduct, covering at a minimum the preventive measures for the acts mentioned in Article 7-2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		(2) The Company has established the Procedures for Ethical Management and Guidelines for Conduct and the Code of Ethics to ensure ethical corporate management. Regular education and training sessions on corporate governance are held for directors. The Company promotes business ethics from time to time and sets rewards and penalties in the Work Rules to prevent employees from engaging in dishonest behavior. The Company also implements practices, such as internal signature management and internal control systems, to ensure compliance with these standards.	No major difference
(3) Whether the Company has stipulated the operating procedures, conduct guidelines, disciplinary actions against violations as well as grievance system in the plan to prevent unethical conducts,	✓		(3) The Company has established the Ethical Corporate Management Best Practice Principles, which set out systems and procedures to prevent dishonest behavior. In addition, the Company provides	No major difference



Items for evaluation	Implementation Status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
implemented the execution thereof, and regularly reviewed and revised the aforementioned plan?			education and training from time to time to its employees on policy compliance to enhance their understanding of integrity principles and establish a positive corporate culture.	
2. The Materialization of Ethical Management (1) Has the Company evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Company and its counterparties?	✓		(1) In accordance with the Ethical Corporate Management Best Practice Principles, the Company shall immediately terminate business dealings with and blacklist any business partners or collaborators found to engage in dishonest behavior, to ensure the implementation of the Company's policy of ethical corporate management.	No major difference
(2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management, and to report to the Board of Directors on a regular basis (at least once a year) regarding ethical corporate management policies and plans, in order to prevent unethical conduct and to monitor their implementation?	✓		(2) The President's Office is the dedicated unit of the Company to promote ethical corporate management. The Company has established the Procedures for Ethical Management and Guidelines for Conduct to regulate its employees in preventing unethical behavior in the performance of their duties. The Company also provides channels for reporting and procedures for handling such reports.	No major difference
(3) Has the Company mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	✓		(3) The Company has established a policy to prevent conflicts of interest in the Procedures for Ethical Management and Guidelines for Conduct. The Company's Board of Directors and employees operate in accordance with this policy. The Company has a Management Department Director's mailbox and hotline available on its internal website, providing employees with a direct channel for feedback.	No major difference

Items for evaluation	Implementation Status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management? Has the internal auditing unit prepared an audit plan based on the assessment results for unethical conduct risks, and checked compliance with the unethical conduct prevention plan accordingly, or appointed a CPA to conduct the audit?	✓		(4) To implement ethical corporate management, the Company has established effective accounting and internal control systems. The internal audit personnel identify high-risk operations based on risk assessments and include them in the annual audit plan as audit items to strengthen preventive measures. The systems are regularly audited for compliance, and audit reports are prepared and periodically presented to the Audit Committee and the Board of Directors.	No major difference
(5) Has the Company organized internal and external training on ethical management?		✓	(5) The Company does not regularly hold education and training on ethical corporate management but will organize related training courses as needed in the future.	The Company will regularly hold the relevant education and training courses in the future.
3. The reporting system of the Company in action (1) Has the Company established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting?	✓		(1) To promote a corporate culture of ethical corporate management, the Company has established a whistleblowing/reward system, convenient reporting channels and handling procedures in the Ethical Corporate Management Best Practice Principles. The Company has a Management Department Director's mailbox and hotline available on its internal website, providing employees with a direct channel for feedback.	No major difference
(2) Has the Company created a standard operating procedure (SOP) for the investigation of reported matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?	✓		(2) The Company has specified in the Procedures for Ethical Management and Guidelines for Conduct that we encourage internal and external personnel to report any dishonest or improper behavior. Depending on the severity of the reported	No major difference

Items for evaluation	Implementation Status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			situation, a reward of up to NT\$10,000 may be given. If any internal personnel falsely report or make malicious accusations, disciplinary action will be taken, and those with significant violations may be dismissed.	
(3) Has the Company taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	✓		(3) The Company has specified in the Procedures for Ethical Management and Guidelines for Conduct that the personnel involved in handling reported cases shall provide a written statement to ensure the confidentiality of the whistleblower's identity and reported content. The Company also promises to protect whistleblowers from any inappropriate treatment resulting from their reporting.	No major difference
4. Enhancing Information Disclosure (1) Has the Company disclosed the content of Ethical Corporate Management Best Practice Principles and the result at its official website and MOPS?	✓		(1) The Company has established the Ethical Corporate Management Best Practice Principles, and discloses them on the investor section of the Company's official website for those interested to see, strengthening the idea of honest and ethical business operations.	No major difference
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established the Procedures for Ethical Management and Guidelines for Conduct and implemented it, with no significant differences observed.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): (1) The Company complies with the Company Act, Securities and Exchange Act, and other laws and regulations as the basis for implementing ethical corporate management. (2) The Company's Rules and Procedures of Board Meetings stipulate that if a director has a conflict of interest in the matters to be discussed at the meeting, whether personally or as a representative of a legal person, the director shall explain the important contents of the conflict of interest at the meeting. If there is a risk of harming the Company's interests, the director may not participate in the discussion or vote on the matter, and shall implement avoidance during discussion and voting. In addition, the director may not act as a proxy for other directors to exercise their voting rights.				

Items for evaluation	Implementation Status			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(3) The Company has established the Procedures for Handling Material Inside Information, which stipulates that directors, managers, and employees may not disclose material inside information known to them to others, nor may they inquire or collect any material inside information that is irrelevant to their duties. Moreover, they may not disclose any material inside information to others, even if they did not obtain it through their duties.				

3.4.7 If the company has established corporate governance codes and related regulations, the methods on how they can be accessed shall be disclosed:

The Company has established the Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, Sustainable Development Best Practice Principles, and Code of Ethics, which are disclosed on the Market Observation Post System.

3.4.8 Other important information that improves the understanding of the company's governance operations may also be disclosed:

1. In order to effectively manage material inside information within the Company, we have established the Procedures for Handling Material Inside Information and announced them on the Company's internal website for all employees to follow, so as to prevent insider trading or violations of related laws and regulations.
2. The Company has four independent directors who form the Audit Committee and the Remuneration Committee to strengthen the governance operations of the Company.
3. All information related to corporate governance of the Company is disclosed on the Company's official website: [www.dingzing.com](http://www.dingzing.com).
4. The continuing education status of the Company's directors and independent directors for 2022 is listed in the following table:

Title	Name	Date of appointment	Date of training	Organizer	Name of course	Training hours	Regulation compliance
Chairman	Hsun-Tai Lin	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes

Title	Name	Date of appointment	Date of training	Organizer	Name of course	Training hours	Regulation compliance
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
Juristic Person Director	Howard K. Lin	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
Director	Po-Jen Liang	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes

Title	Name	Date of appointment	Date of training	Organizer	Name of course	Training hours	Regulation compliance
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
Director	Akihiko Satomi	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
Indenpdent Director	Kuo-Pin Su	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes

Title	Name	Date of appointment	Date of training	Organizer	Name of course	Training hours	Regulation compliance
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
Indenpdent Director	Ming-Feng Chan	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
Indenpdent Director	Shun-Tien Chen	May 27, 2022	April 14, 2022	Taiwan Corporate Governance Association	Sustainable Risks - Exploring from Governance to Management	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes

Title	Name	Date of appointment	Date of training	Organizer	Name of course	Training hours	Regulation compliance
Indenpdent Director	Hubert Hu	May 27, 2022	June 8, 2022	Taiwan Corporate Governance Association	Corporate Governance and the Development Trends and Best Practices of Corporate Social Responsibility	3H	Yes
			August 10, 2022	Taiwan Corporate Governance Association	How Businesses Can Implement Energy-saving and Carbon Reduction to Enhance Profitability	3H	Yes
			September 7, 2022	Taiwan Corporate Governance Association	Industry 4.0 and How Businesses Can Lead Innovation Transformation	3H	Yes
			November 9, 2022	Taiwan Corporate Governance Association	ESG New Economy and Strategy Plan	3H	Yes
			August 15, 2022	CPA ASSOCIATIONS R.O.C.(TAIWAN)	Commercial Case Adjudication Act that Accountants Should Know	3H	Yes
			August 3, 2022	CPA ASSOCIATIONS R.O.C.(TAIWAN)	Recognition of Intangible Assets for Acquisition Price	3H	Yes

3.4.9 The following items regarding the implementation of the internal control system shall be disclosed:

1. Internal Control Statement, refer to appendix 1.
2. If a CPA is appointed to review the internal control system, the review report shall be disclosed: none

3.4.10 If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year preceding the annual report publication date, where the result of such penalty may have a material effect on shareholder equity or securities prices, the penalty, the main shortcomings, and conditions for improvement shall be disclosed in the annual report: None.



3.4.11 Major resolutions of the Shareholders' Meeting and the Board in the most recent year to the date this report was printed:

1. Material resolutions of the Annual General Meeting

	Number of meeting	Date	Material resolutions
Shareholders' meeting	Annual General Meeting	2022.05.27	<ol style="list-style-type: none"> <li>1. Regulations Governing the Acquisition or Disposal of Assets</li> <li>2. Proposal to revise the Rules and Procedures of Shareholders' Meetings</li> <li>3. Proposal to revise the Company's Articles of Incorporation</li> <li>4. Proposal to carry out a full re-election of directors</li> <li>5. Proposal to lift the non-compete restrictions on directors and their representatives</li> </ol>

2. Material resolutions of the Board meeting

	Number of meeting	Date	Material resolutions
Board meeting	1st meeting	2022.03.08	<ol style="list-style-type: none"> <li>1. Distribution of the Company's employee and director remuneration for 2021</li> <li>2. The Company's business report and financial statements for 2021</li> <li>3. Distribution of the Company's director remuneration for 2021</li> <li>4. Distribution of the Company's manager remuneration for 2021</li> <li>5. The Company's Statement on Internal Control for 2021</li> <li>6. Proposal to conduct a cash capital increase and issue new shares for public underwriting prior to the initial public offering</li> <li>7. Manager's subscription list of new shares issued for cash capital increase through initial public offering</li> <li>8. The assessment of the independence and suitability of the certified public accountant for the Company's financial statements</li> <li>9. Appointment of the Company's certified public accountant</li> <li>10. Evaluation of the performance of the Board of Directors and functional committees for 2021</li> <li>11. Changes in the Company's financial director, accounting director, and audit director</li> <li>12. Establishment of the Company's governance director</li> <li>13. Review of the Company's manager remuneration for 2022</li> <li>14. Proposal to revise the CX-116 Regulations Governing the Acquisition or Disposal of Assets for the Company</li> </ol>

			15. Proposal to revise the CX-129 Accounting System for the Company 16. Proposal to add the CX-163 Regulations for Employee Stock Option for the Company 17. Proposal to revise the CX-119 Rules and Procedures of Shareholders' Meetings for the Company 18. Proposal to carry out a full re-election of directors 19. Proposal to lift the non-compete restrictions on new directors 20. Acceptance of shareholder nominations for director elections (including independent directors), their nomination period, number of candidates, and location of acceptance 21. Acceptance of shareholder proposals of the 2022 Annual General Meeting 22. Proposal to apply for loans from banks 23. Proposal to convene the 2022 Annual General Meeting
	2nd meeting	2022.04.13	1. The Company's earnings distribution plan for 2021 2. List of director candidates nominated by the Board of Directors (including independent directors). 3. Proposal to lift the non-compete restrictions on directors and their representatives 4. Proposal to apply for loans from banks 5. Proposal to revise the Company's Articles of Incorporation 6. Proposal to revise the CX-119 Rules and Procedures of Shareholders' Meetings for the Company 7. Proposal to revise the CX-139 Corporate Governance Best Practice Principles for the Company 8. Proposal to revise the CX-140 Corporate Social Responsibility Best Practice Principles for the Company 9. Proposal to add and revise the cause of action for the convening of 2022 Annual General Meeting
	3rd meeting	2022.05.11	1. The Company's financial statements for the first quarter of 2022 2. Proposal to apply for loans from banks
	4th meeting	2022.05.27	1. Proposal to elect Chairman of the Board
	5th meeting	2022.06.08	1. Proposal to appoint members of the Remuneration Committee 2. Proposal to change the President of the Company 3. Proposal to apply for loans from banks 4. Disclosure of information on greenhouse gas inventory and verification

	6th meeting	2022.08.10	<ol style="list-style-type: none"> <li>1. Proposal to change the certified public accountant in accordance with the organizational adjustment of the accounting firm</li> <li>2. The Company's financial statements for the second quarter of 2022</li> <li>3. Proposal to revise the CX-134 Regulations for Compensation of Employees and Remuneration of Directors and Functional Committee Members for the Company</li> <li>4. Proposal to adjust the remuneration of the Company's independent directors</li> <li>5. Proposal to revise the CX-120 Regulations for Approval Authority for the Company</li> <li>6. Appointment of new important executives of the Company</li> <li>7. Proposal to adjust the remuneration of the Company's managers</li> </ol>
	7th meeting	2022.09.07	<ol style="list-style-type: none"> <li>1. Proposal to dissolve the liquidated subsidiary Ding Zing Polyurethane Europe B.V.</li> <li>2. Proposal to invest in a newly established overseas subsidiary in Germany</li> </ol>
	8th meeting	2022.11.09	<ol style="list-style-type: none"> <li>1. The Company's financial statements for the third quarter of 2022</li> <li>2. Proposal to apply for loans from banks</li> <li>3. The resolution of the Board of Directors on June 8, 2022 to apply for loan from a bank</li> <li>4. Proposal to revise the CX-113 Rules and Procedures of Board Meetings for the Company</li> </ol>
	9th meeting	2022.12.16	<ol style="list-style-type: none"> <li>1. The Company's business plan for 2023</li> <li>2. The Company's audit plan declaration form for 2023</li> <li>3. Proposal to distribute year-end bonuses to the Company's managers for 2022</li> <li>4. Proposal to revise the CX-136 Procedures for Handling Material Inside Information for the Company</li> <li>5. Proposal to revise the CX-139 Corporate Governance Best Practice Principles for the Company</li> <li>6. Proposal to revise the CX-120 Regulations for Approval Authority for the Company</li> </ol>

	1st meeting	2023.03.14	<ol style="list-style-type: none"> <li>1. The 2022 Employee and Director Remuneration Distribution Proposal of Dingzing.</li> <li>2. The 2022 Business Report and Financial Report of Dingzing.</li> <li>3. The 2022 Earnings Distribution Proposal of Dingzing.</li> <li>4. The 2022 Director Remuneration Distribution Proposal of Dingzing.</li> <li>5. The 2022 Manager Remuneration Distribution Proposal of Dingzing.</li> <li>6. The 2022 Internal Control Statement Proposal of Dingzing.</li> <li>7. The Independence and Competence Assessment of CPA of the Financial Report of Dingzing.</li> <li>8. The appointment of the CPA of Dingzing.</li> <li>9. The 2022 Performance Review of Board of Directors and Functional Committees of Dingzing.</li> <li>10. Acceptance of shareholders' proposals of 2023 General Shareholder Meeting.</li> <li>11. The Company's application for bank financial credit.</li> <li>12. The proposal for convening 2023 General Shareholder Meeting.</li> <li>13. The plan to pre-approve the CPA, its firm and its affiliates to provide non-assurance services to Dingzing and its subsidiaries.</li> <li>14. The Company's plan to revise CX-101, Management Measures for Use of Seals.</li> <li>15. The Company's plan to revise CX-111, Management Measures for Financial Statement Composition Process.</li> <li>16. The Company's plan to revise CX-162, Operating Regulations for Financial Businesses between Affiliated Enterprises.</li> </ol>
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Note: The Company has fully implemented the resolutions of the Board meetings and shareholders' meetings

3.4.12 In the most recent year and as of the date of the publication of the annual report, major issues of record or written statements made by any director or supervisor dissenting to important resolutions passed by the Board of Directors: None

3.4.13 Summary of resignation or dismissal of the company's key individuals, including the company's chairman, president, and heads of accounting, finance, internal audit, corporate governance and R&D in the most recent year and as of the date of the publication of the annual report:

April 30, 2023

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chief Financial Officer	Bin-Zhen Huang	2008.07.01	2022.03.08	Transfer to serve as Chairman's special assistant
Audit Director	Meng-Yang Chiu	2016.02.15	2022.03.08	Transfer to serve as Finance & Accounting Director

### 3.5 Certified public accountant (CPA) fee information

3.5.1 Payment of non-audit fee by the Company to certified public accountants, their associated accounting firm and its affiliates, which represents more than one-fourth of the audit fee: None

Unit: NT\$1,000

Name of CPA firm	Name of CPA	CPA audit period	Audit fee	Non-audit fee	Total	Remark
Pricewaterhousecoopers Taiwan	Jun-Kai Wang, A-Shen Liao	2022.01.01–2022.12.31	3,100	442	3,542	Non-audit fees include: (1) tax compliance audit for 2022, (2) business registration

3.5.2 If the CPA firm changes, and the audit fee paid in the year of such change is reduced from the audit fee of the previous year: None

3.5.3 If the audit fee is reduced by more than 10% from last year: None

### 3.6 Information of CPA Change:

#### 3.6.1 Information of previous CPA

Date of change	2022.08.10		
Reason of change and explanation	To cooperate with the internal adjustment of Pricewaterhousecoopers Taiwan, the certified public accountants have been changed from A-Shen Liao and Jian-Zhi Wu to Jun-Kai Wang and A-Shen Liao.		
Explain if change is due to appointer, or the CPA has terminated or refused to accept the appointment	Party of concern		
	Situation	CPA	Appointer
	Voluntarily terminate the appointment	Not applicable	Not applicable
	Refuse to accept (continue) the appointment	Not applicable	Not applicable
Comments and reasons for issuing audit reports other than unqualified opinions within the last two years	None		
Disagreement with the issuer	Disagreement on:		Accounting principles or practices
			Disclosure of financial statements
			Scope or procedures of audit
			Others
	None	✓	
	Explanation: Not applicable		
Other disclosures (Item 4 to Item 7, Subparagraph 1, Paragraph 6, Article 10 of the Guidelines shall be disclosed)	None		

### 3.6.2 Information of current CPA

Name of CPA firm	Pricewaterhousecoopers Taiwan
Name of CPA	Jun-Kai Wang, A-Shen Liao
Date of appointment	2022.08.10
Prior to appointment, accounting handling methods or principles for specific transactions and opinions, consultation as well as results that may be issued on financial statements	None
Written opinions of the current CPA on matters with which the previous CPA disagreed	None

3.6.3 Reply letter from the previous CPA to the 3 items in Item 1 and Item 2, Subparagraph 6, Article 10 of the Guidelines: None.

3.7 The chairman, president, chief financial or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year: None

3.8 In the most recent year to the date this report was printed, directors, supervisors, managerial officers and the shareholders holding more than 10% of the shares in the transfer of shares and pledge of shares under lien, and any change thereof.

3.8.1 Changes in shareholdings for directors, supervisors, managerial officers and major shareholders

Unit: share

Title	Name	2022		As of April 30, 2023	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman and major shareholder	Hsun-Tai Lin	—	—	—	—
Director and major shareholder	Dinger Investment Co., Ltd.	—	—	—	—
	Representative and President Howard K. Lin	409,000	—	—	—
Director	Po-Jen Liang	—	—	—	—
Director	Akihiko Satomi	—	—	—	—
Director	Kuo-Pin Su	—	—	—	—
Director	Shun-Tien Chen	—	—	—	—
Director	Ming-Feng Chan	—	—	—	—
Vice President	Bruce Huang	—	—	—	—
Project Senior Manager	TUNG-SHAN CHIANG	35,000	—	—	—
Product Development Director	LINDA CHU	25,000	—	—	—
Manager	HSUEH-LIN WANG	25,000	—	—	—
Director of Management Division	JUI-KUNG PAN	25,000	—	—	—
Director of Finance and Accounting	Meng-Yang Chiu	17,000	—	—	—
Major shareholder	Ding Yu Investment Co., Ltd.	—	—	—	—

Title	Name	2022		As of April 30, 2023	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Major shareholder	Mitsubishi Corporation	—	—	—	—

3.8.2 The counterparts of shares ownership transfer is related parties: There is no such situation.

3.8.3 The counterparts of shares ownership pledge is related parties: There is no such situation.

3.9 Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

March 31, 2023 Unit: share; %

NAME	OWN SHAREHOLDINGS		SHARES HELD BY SPOUSE & MINOR CHILDREN		TOTAL SHAREHOLDING HELD THROUGH NOMINEES		IF THERE ARE RELATED PARTIES, SPOUSES, KINDRED WITHIN THE 2ND DEGREE OF KINSHIP AMONG THE TOP 10 SHAREHOLDERS, GIVE THE NAMES AND AFFILIATIONS OF SUCH SHAREHOLDERS		NO TE
	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NAME	RELATION	
Dinger Investment Co., Ltd.	20,097,300	29.02%	—	—	—	—	Hsun-Tai Lin	Chairman of this investment company	—
							Shu-Hui Lee	Director of this investment company	—
							Ding Yu Investment Co., Ltd.	The same as chairman	—
Representative: Hsun-Tai Lin	5,734,600	8.28%	836,800	1.21%	—	—	Ding Yu Investment Co., Ltd.	Chairman of this investment company	—
							Dinger Investment Co., Ltd.	Chairman of this investment company	—
							Shu-Hui Lee	Spouse	—
Ding Yu Investment Co., Ltd.	19,442,000	28.08%	—	—	—	—	Hsun-Tai Lin	Chairman of this investment company	—
							Shu-Hui Lee	Director of this investment company	—
							Dinger Investment Co., Ltd.	The same chairman	—
Representative: Hsun-Tai Lin	5,734,600	8.28%	836,800	1.21%	—	—	Ding Yu Investment Co., Ltd.	Chairman of this investment company	—
							Dinger Investment Co., Ltd.	Chairman of this investment company	—
							Shu-Hui Lee	Spouse	—
Hsun-Tai Lin	5,734,600	8.28%	836,800	1.21%	—	—	Ding Yu Investment Co., Ltd.	Chairman of this investment company	—
							Dinger Investment Co., Ltd.	Chairman of this investment company	—
							Shu-Hui Lee	Spouse	—
MEGA INTERNATIONAL COMMERCIAL BANK IN CUSTODY FOR SANLIN CORPORATION	4,208,000	6.08%	—	—	—	—	Mitsubishi Corporation	The parent company of Sanlin Company	—



NAME	OWN SHAREHOLDINGS		SHARES HELD BY SPOUSE & MINOR CHILDREN		TOTAL SHAREHOLDING HELD THROUGH NOMINEES		IF THERE ARE RELATED PARTIES, SPOUSES, KINDRED WITHIN THE 2ND DEGREE OF KINSHIP AMONG THE TOP 10 SHAREHOLDERS, GIVE THE NAMES AND AFFILIATIONS OF SUCH SHAREHOLDERS		NOTE
	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NAME	RELATION	
Mitsubishi Corporation	2,400,000	3.47%	—	—	4,208,000	6.08%	MEGA INTERNATIONAL COMMERCIAL BANK IN CUSTODY FOR SANLIN CORPORATION	The Subsidiary of Mitsubishi Corporation	—
Representative: YUTAKA KASHIWAGI	—	—	—	—	—	—	—	—	—
CHEN YI CO., LTD.	960,000	1.39%	—	—	—	—	WEI-TIAN LIANG	Representative of this company	—
Representative: WEI-TIAN LIANG	105,000	0.15%	800,900	1.16%	—	—	Hsun-Tai Lin	Spouse's father	—
							Shu-Hui Lee	Spouse's mother	—
							CHEN YI CO., LTD.	Representative of this company	—
Shu-Hui Lee	836,800	1.21%	5,734,600	8.28%	—	—	Hsun-Tai Lin	Spouse	—
							Ding Yu Investment Co., Ltd.	Director of this investment company	—
							Dinger Investment Co., Ltd.	Director of this investment company	—
Howard K. Lin	800,900	1.16%	105,000	0.15%	-	-	Hsun-Tai Lin	Father	-
							Shu-Hui Lee	Mother	-
							CHEN YI CO., LTD.	Representative's spouse of this company	-
QING-ZHONG HONG	650,000	0.94%	-	-	-	-	-	-	-
JUN-YU HUANG	576,000	0.83%	-	-	-	-	-	-	-

3.10 Quantity of shareholdings of the same investee by the Company and Directors, Supervisors, Managial Officer, and direct or indirect subsidiaries in proportion to the combined holdings of all, and combined to calculate the proportion of overall shareholding.

Investee	Investment made by the Company		Investment made by directors, supervisors, managerial official and direct or indirect subsidiaries		Combined investment	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio
Ding Zing Polyurethane Europe B.V.	Note	100%	Note	—	Note	100%
SHANGHAI DINTEX TRADING CO., LTD.	Note	100%	Note	—	Note	100%
Dongguan Dingli Polyurethane Trading Co., Ltd.	Note	100%	Note	—	Note	100%
Dingzing Advanced Materials Incorporated(KY)	3,000	100%	—	—	3,000	100%
Dingzing Advanced Materials USA, Inc.(DE)	0.1	100%	—	—	0.1	100%
Dingzing Advanced Materials USA LLC(NJ)	Note	100%	Note	—	Note	100%
DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	Note	100%	Note	—	Note	100%
Dingzing Advanced Materials Europe GmbH	Note	100%	Note	—	Note	100%

Note: It is a limited company; not applicable.

## 4.Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Sources of Capital Stock:

April 30, 2022

Unit: Thousand share; NT\$thousand

Period	Price at issuance (NT\$)	Authorized shares capital		Paid in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Other
Feb. 1981	1,000	2	2,000	2	2,000	Establishment of capital NT\$2,000,000	-	-
Nov. 1987	1,000	10	10,000	10	10,000	Cash capital increase 8,000,000	-	-
Dec. 1995	1,000	15	15,000	15	15,000	Cash capital increase 5,000,000	-	Note 1
July 1998	1,000	25	25,000	25	25,000	Cash capital increase 10,000,000	-	Note 2
Nov. 2000	1,000	50	50,000	50	50,000	Cash capital increase 10,000,000	-	Note 3
						Capital increased by earnings recapitalization 15,000,000	-	
Nov. 2002	1,000	100	100,000	100	100,000	Cash capital increase 17,000,000	-	Note 4
						Capital increased by earnings recapitalization 33,000,000	-	
Nov. 2004	1,000	120	120,000	120	120,000	Cash capital increase 10,000,000	-	Note 5
						Capital increased by earnings recapitalization 10,000,000	-	
Nov. 2006	1,000	150	150,000	150	150,000	Capital increased by earnings recapitalization 30,000,000	-	Note 6
Nov. 2007	1,000	180	180,000	180	180,000	Cash capital increase 30,000,000	-	Note 7
Nov. 2009	1,000	200	200,000	200	200,000	Capital increased by earnings recapitalization 20,000,000	-	Note 8
Nov. 2011	1,000	250	250,000	250	250,000	Capital increased by earnings recapitalization 50,000,000	-	Note 9
Aug. 2012	1,000	400	400,000	400	400,000	Cash capital increase 150,000,000	-	Note 10
Sep. 2013	10	60,000	600,000	60,000	600,000	-	Capital contributions by claims 200,000,000	Note 11
July 2014	10	100,000	1,000,000	60,000	600,000	-	-	Note 12
Aug. 2017	50	100,000	1,000,000	60,118	601,180	Transferred from employee stock options	—	Note 13

Period	Price at issuance (NT\$)	Authorized shares capital		Paid in capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital Stock	Property other than cash is paid by subscribers	Other
Jan. 2019	50	100,000	1,000,000	60,455	604,550	Transferred from employee stock options	—	Note 14
Apr. 2019	50	100,000	1,000,000	61,548	615,480	Transferred from employee stock options	—	Note 15
Jun. 2022	10	7,695	76,950	69,243	692,430	Cash capital increase 76,950,000	—	Note 16

Note 1: Approved by official letter with No. Kao-shih-chien-she-erh-tzu-ti-07474600 dated Dec. 15, 1995.

Note 2: Approved by official letter with No. Kao-shih-chien-she-erh-tzu-ti-08710057701 dated July 9, 1998.

Note 3: Approved by official letter with No. Kao-shih-fu-chien-she-erh-tzu-ti-08917227601 dated Nov. 27, 2000.

Note 4: Approved by official letter with No. Ching-shou-shang-tzu-ti-09101438390 dated Nov. 7, 2002.

Note 5: Approved by official letter with No. Kao-shih-fu-chien-erh-kung-tzu-ti-09300998800 dated Nov. 3, 2004.

Note 6: Approved by official letter with No. Kao-shih-fu-chien-erh-kung-tzu-ti-09500746160 dated Nov. 16, 2006

Note 7: Approved by official letter with No. Kao-shih-fu-chien-erh-kung-tzu-ti-09600745840 dated Nov. 20, 2007.

Note 8: Approved by official letter with No. Kao-shih-fu-ching-erh-kung-tzu-ti-09800732540 dated Nov. 17, 2009.

Note 9: Approved by official letter with No. Kao-shih-fu-szu-wei-ching-shang-kung-tzu-ti-10001472020 dated Nov. 25, 2011.

Note 10: Approved by official letter with No. Kao-shih-fu-szu-wei-ching-shang-kung-tzu-ti-10150252350 dated Aug. 8, 2012.

Note 11: Approved by official letter with No. Ching-shou-shang-tzu-ti-10201183940 dated Sep. 6, 2013.

Note 12 : Approved by official letter with No. Ching-shou-shang-tzu-ti-10301139160 dated July 14, 2014.

Note 13 : Approved by official letter with No. Ching-shou-shang-tzu-ti-10601123360 dated Aug. 25, 2017

Note 14 : Approved by official letter with No. Ching-shou-shang-tzu-ti-10801005660 dated Jan. 28, 2019.

Note 15 : Approved by official letter with No. Ching-shou-shang-tzu-ti-10801040310 dated Apr. 11, 2019.

Note 16 : Approved by official letter with No. Ching-shou-shang-tzu-ti-11101095610 dated June 14, 2022.

Unit: thousand shares

Type of Share	Authorized Capital Stock			Remarks
	Outstanding shares	Unissued stock	Total	
ordinary shares	69,243	30,757	100,000	The company's shares are listed stocks

Information related to shelf registration system: Not applicable

#### 4.1.2 Composition of shareholders:

Mar. 31, 2023; Unit: person/shares %

Composition of Shareholders Quantity	Governmental Institution	Financial Institution	Other Juridical person	Individual	Foreign Institution and Foreigner	Total
Number of persons	0	2	25	1,405	9	1441
Shareholding	0	52,000	42,299,188	20,126,812	6,765,000	69,243,000
Shareholding ratio	0%	0.07%	61.09%	29.07%	9.77%	100%

#### 4.1.3 Shareholding Distribution Status

Mar. 31, 2023; Unit: person/shares; %, NT\$10 par value per share

Shareholding classification	No. of shareholders	Shareholding	Shareholding ratio
1 - 999	214	14,605	0.0211%
1,000 - 5,000	893	1,680,211	2.4265%
5,001 - 10,000	120	939,273	1.3565%
10,001 - 15,000	39	507,000	0.7322%
15,001 - 20,000	34	635,000	0.9171%
20,001 - 30,000	47	1,208,000	1.7446%
30,001 - 40,000	20	704,000	1.0167%
40,001 - 50,000	8	364,000	0.5257%
50,001 - 100,000	32	2,299,000	3.3202%
100,001 - 200,000	16	2,091,911	3.0211%
200,001 - 400,000	4	1,189,000	1.7171%
400,001 - 600,000	5	2,481,400	3.5836%
600,001 - 800,000	1	650,000	0.9387%
800,001 - 1,000,000	3	2,597,700	3.7516%
1,000,001 and above	5	51,881,900	74.9273%
Total	1,441	69,243,000	100.00%

#### 4.1.4 List of Major Shareholders

Mar. 31, 2023; Unit: share; %

Shares	Shareholding	Shareholding ratio
Name of major shareholder		
Dinger Investment Co., Ltd.	20,097,300	29.02%
Ding Yu Investment Co., Ltd.	19,442,000	28.08%
Hsun-Tai Lin	5,734,600	8.28%
MEGA INTERNATIONAL COMMERCIAL BANK IN CUSTODY FOR SANLIN CORPORATION	4,208,000	6.08%
Mitsubishi Corporation	2,400,000	3.47%
CHEN YI CO., LTD.	960,000	1.39%
Shu-Hui Lee	836,800	1.21%
Howard K. Lin	800,900	1.16%
QING-ZHONG HONG	650,000	0.94%
JUN-YU HUANG	576,000	0.83%

Note: The names, shareholdings, and percentages of shareholders holding more than 5% of the shares or ranked among the top 10 shareholders in terms of shareholding and percentage.

#### 4.1.5 Information related to the market price, net value, earnings and dividends per share in the most two years:

Unit: NT\$; thousand shares

Item \ Year		2021	2022	As of Mar. 31, 2023
Market price per share	The Highest	Unlisted	84.4	69.4
	The Lowest		45.45	53.1
	Average		60.78	61.44
Net Value Per Share	Before distribution	39.34	42.69	(Note 3)
	After distribution		(Note 1)	(Note 3)
Earnings per share	Weighted average shares	61,548	66,347	(Note 3)
	Earnings per share	4.55	4.00	(Note 3)
Dividend Per Share	Cash dividends	3.37	3	-
	Free-Gratis Dividends	Retained Shares Distribution	-	-
		Capital reserve Shares Distribution	-	-
	Retained Dividends		-	-
Return on Investment Analysis	Price-to-Earnings Ratio		15.20	-
	Price-to-Dividend Ratio		20.26	-
	Cash Dividend Yield Rate		4.94%	-

Note 1: The distribution of earnings for 2022 was resolved by the Board of Directors on March 14, 2023, with approval to distribute cash dividends of NT\$3 per share from earnings, to be distributed after recognition by the shareholders' meeting.

Note 2: Net asset value per share and earnings per share shall be filled with the latest quarter data audited (reviewed) by certified public accountant up to the date of the publication of the annual report. Other fields shall be filled with data from the current year up to the date of the publication of the annual report.

Note 3: The first quarter financial report audited by the CPAs has not yet been acquired as of the date of publication of the annual report.

#### 4.1.6 Dividend policy and implementation status of the company

##### 1. Dividend policy as stipulated in the Company's Articles of Incorporation

When the Company has profits in each fiscal year, it shall first pay taxes and other expenses and then appropriate 10% of the net profits as the statutory surplus reserve until such reserve has reached the amount equal to the total capital. After setting aside for any specific reserves required by the law and regulations, the undistributed earnings from the previous year together with the current year's earnings shall be accumulated and approved by the Board of Directors to distribute as dividends to the shareholders.

The dividend distribution policy of the Company takes into consideration the current and future investment environment, capital needs, domestic and international competition, and capital budgeting, while balancing the interests of the shareholders and the Company's long-term financial planning. The dividend payout principle shall not be less than 30% of the "distributable earnings" of the current period. However, if the "distributable earnings" of the current period are less than 5% of the paid-in capital, dividends may not be distributed. Cash dividends shall not be less than 10% of the total dividend distribution.

The term "distributable earnings" of the current period in the preceding paragraph refers to the profit of the current year after deducting taxes, donations, making up for previous losses, setting aside statutory surplus reserve, and appropriate or reverse special surplus reserve. It does not include accumulated undistributed earnings at the beginning of the period.

If approved by two-thirds or more of the directors present, including a majority of attending directors, the Board of Directors may distribute all or a portion of dividends, capital surplus, or statutory surplus reserves in the form of cash, and report to the shareholders' meeting, without

being subject to the provisions of the first paragraph that require approval by the shareholders' meeting.

2. The proposed dividend distribution for the current shareholders' meeting:

On March 14, 2023, the Board of Directors approved the earnings distribution plan for the 2022 fiscal year, with a dividend of NT\$3 per share of common stock, totaling NT\$207,729,000, subject to approval by the 2023 Annual General Meeting.

3. Expected significant changes in dividend policy: The Company does not anticipate any significant changes in its dividend policy.

4.1.7 The impact of the free allotment proposed at the shareholders' meeting on the company's operating performance and earnings per share: The current shareholders' meeting does not propose the distribution of stock dividends, and the Company is not required to disclose financial forecasts in accordance with regulations, so it is not applicable.

4.1.8 Employee, director and supervisor remuneration:

1. The percentage or range of employee, director and supervisor remuneration as stipulated in the company's Articles of Incorporation:

The Company shall distribute employee remuneration not less than 1% of the profit of the current year, and distribute director remuneration not exceeding 5% of the profit of the current year. However, if the Company has accumulated losses, they shall be used for making up the losses.

Employee remuneration can be in the form of stocks or cash, and the recipients of stocks or cash may include employees of controlled or affiliated companies who meet certain conditions.

The "profit of the current year" referred to in the first paragraph means the pre-tax profit of the current year before deducting the remuneration for employees and directors.

Distribution of employee and director remuneration shall be resolved by the Board of Directors with attendance of over two-thirds of the directors and approval of a majority of the attending directors, and be reported to the shareholders' meeting.

2. The calculation basis of the estimated amount of employee, director and supervisor remuneration, the calculation basis for the number of shares for employee remuneration distributed by stocks, and the accounting treatment if the actual distribution amount is different from the estimated amount:

The employee, director, and supervisor remuneration of the Company are estimated based on the percentage range set forth in the Articles of Incorporation, depending on the profitability of the current year. If there is a difference between the actual distribution amount and the estimated amount, accounting treatment will be made in accordance with the changes in accounting estimates and adjusted in the year of the Board of Directors resolution.

3. Remuneration distribution approved by the Board of Directors:

(1) If the amount of employee, director and supervisor remuneration distributed in cash or stocks is different from the annual estimated amount of recognized expenses, the number of discrepancies, reasons and handling status shall be disclosed:

The proposal for the distribution of employee and director remuneration for 2022 has been approved by the Board of Directors on March 14th, 2023. The distribution includes an employee remuneration of NT\$8,720,000 and a director remuneration of NT\$3,389,000, which is consistent with the amount recognized in the financial statements for 2022.

(2) The amount of employee remuneration distributed by stocks and its percentage to the net profit after tax of the parent-company-only or individual financial statements and total employee remuneration for the current period: Not applicable

4. If the actual distribution of employee, director and supervisor remuneration in the previous year (including the number of shares distributed, amount and stock price) is different from the recognized employee, director and supervisor remuneration, the number of differences, reasons and handling situation shall be stated:

The distribution of the Company's employee and director remuneration for 2021 was approved by the Board of Directors on March 8th, 2022, with employee remuneration of NT\$7,367,000 and director remuneration of NT\$3,636,000 distributed in cash. The actual distribution was consistent with the recognized amounts for 2021.

- 4.1.9 Repurchase of Company shares: There is no such situation.
- 4.2 Status of Corporate bond: There is no such situation.
- 4.3 Status of preferred share: There is no such situation.
- 4.4 Status of overseas depository receipt: There is no such situation.
- 4.5 Status of employee stock options: There is no such situation.
- 4.6 Status of new restricted employee shares: There is no such situation.
- 4.7 Status regarding issuance of new shares in connection with mergers or acquisitions of other companies' shares: There is no such situation.
- 4.8 Implementation status of fund utilization plan:

As of the end of the quarter prior to the publication of the annual report, the Company has not issued or privately placed any securities that have not yet been completed or have not shown the expected benefits within the past three years.



## 5. Operation Overview

### 5.1 Content of business

#### 5.1.1 Business scope

1. Main content of the company's business
  - C801010 Basic Industrial Chemical Manufacturing
  - C805010 Manufacture of Plastic Sheets, Pipes and Tubes
  - C805020 Manufacture of Plastic Films and Bags
  - C805990 Other Plastic Products Manufacturing
  - F107200 Wholesale of Chemical Feedstock
  - F107190 Wholesale of Plastic Films and Bags
  - F401010 International Trade
  - ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
2. Revenue distribution

Unit: NT\$1,000

Year Products	2021		2022	
	Consolidated net operating revenue	Percentage	Consolidated net operating revenue	Percentage
TPU film	2,194,264	86.40%	2,342,985	89.86%
TPU seals	185,787	7.32%	147,254	5.65%
TPU hoses & belts	154,996	6.10%	114,628	4.40%
Others	4,696	0.18%	2,345	0.09%
Total	2,539,743	100.00%	2,607,212	100.00%

Source: Financial statements audited by certified public accountants

#### 3. Current products (services) of the Company

The Company is primarily engaged in the R&D, production, and sales of high-functional thermoplastic polyurethane (TPU). The main products include TPU films, TPU seals, and TPU hoses & belts, as described below:

A. TPU film: This is the Company's main product. TPU films are made by using different DINGZING TPU pellets through extrusion, blowing and other processes. Films with different hardness and molecular weight can achieve air tightness and completely waterproof. They are widely used in lumbar support airbags and water bags. They can also be laminated to required materials (bonded fabrics) to create additional value. TPU film is widely used in automotive products, outdoor sports equipment, clothing, medical supplies, sports shoes, consumer electronics, luggage, balls and other products.

B.TPU seals: U-Seals are produced by injection molding using DINGZING TPU pellets, and are primarily used in hydraulic cylinder equipment.

C.TPU hoses & belts: The hoses and belts are produced by extrusion using DINGZING TPU pellets, and are primarily used in industrial pneumatic systems, drinking water tubes, etc.

#### 4. New product development plan

The Company continues to develop TPU products that meet the needs of customers and the market. In addition to the existing high-tech films, air hoses, and U-seals, we also plan to develop innovative and high-quality optical-grade protective

films, as well as environmentally friendly and energy-efficient VCN yarns. We will continue to work with customers to develop more industrial applications. The new products we plan to develop are as follows:

Item	Description
Highly elastic, breathable and waterproof hot melt film	It has both breathable and waterproof functions and can be used in women's period pants, shoe and sock covers, and lightweight down jackets.
Development of stain -resistance and self-healing coating	Development of stain -resistance and self-healing coating that can be applied on the surface of high-durability TPU film, in order to enhance the added value of the TPU film and expand its usage in different high-tech fields.
Development of laminated composite material (Orkesta)	Development of composite material that laminates fabric and TPU film to create a high-strength adhesive material suitable for industrial applications such as protective equipment, thermal insulation and outdoor construction materials.
Development of VCN yarn and Feneka fabric	Feneka fabrics, made of VCN yarn 100%, is environmentally friendly and energy-efficient, effectively shortening and simplifying the re-processing. In the future, consumer finished goods can be efficiently recycled and reused.
Foam for the electronics industry	Various low-density foams with different hardness and elasticity can be used for shock absorption.
Non-yellowing foam and hot melt adhesive	It can be used for white and light-colored bra pad.
Improvement of flexibility and breathability of waterproof breathable film	Improvement of existing waterproof breathable film by increasing its flexibility, sound insulation, and breathability.
PPF 2K top coating	This Provecta Protect Film is a highly clear and non-yellowing film coated with a 2K layer to achieve stain-resistance and abrasion-resistance. It can be used to protect and enhance the gloss of original car paint.
PPF UV top coating	This Provecta Protect Film is a highly clear and non-yellowing film with UV top coating. Its excellent resistance to UV-A and UV-B rays prevents long-term damage from sunlight to car paint, protecting the gloss of the original car paint.
PPF PSA coating	Self-developed pressure-sensitive adhesive can be used as the adhesive for protective films, such as automotive paint protection films. It has good adhesion to the surface of automotive without glue residual could cause damage on the paint.
Safeguard glass film	It can be applied to glass to prevent glass fragments from flying in case of breakage. It can also provide a barrier against illegal intrusion.

Special patterned PPF film	Special patterns diversify PPF product line.
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### 5.1.2 Industry overview

#### 1. Global industry development status

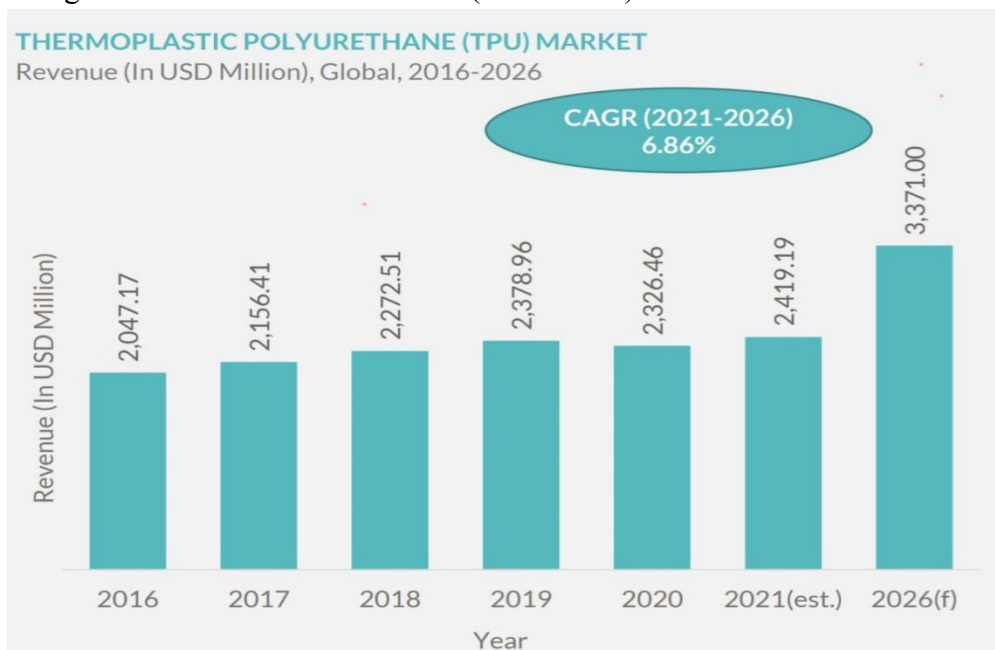
TPU (thermoplastic polyurethane) material was developed in 1937 by Otto Bayer and his colleagues at the I.G. Farben laboratory in Leverkusen, Germany. CS Schollenberger from BF Goodrich Co. elucidated its properties in 1958, and it was commercialized in 1959. From 1990 to 2000, the global consumption of TPU materials was less than 100,000 tons per year. However, after 2000, with the rise of green and environmental awareness, TPU materials, with their plasticity for recycling and easy downstream processing, pollution-free, and no air emission when incinerated, became recognized as an economically valuable and recyclable environmental friendly elastomer. This has led to many international companies competing to invest in TPU production. In China's 12th Five-Year Plan, TPU materials were listed as one of the key development projects, and Asia is currently the world's largest TPU market. TPU materials can be divided into ether and ester types. Ether types have higher strength, better water resistance, and better resilience at low temperatures, while ester types have better elongation, bending, abrasion resistance, solvent resistance, and high-temperature resistance. By improving the formula, the shortcomings of TPU materials such as poor hydrolysis and yellowing, as well as low UV resistance and high opacity can be improved for different applications. TPU materials can also be made into different forms, such as films, foams, hot-melt adhesives, injection molding, solvents, and even artificial leather or composite materials by mixing with other polymers, which has led to their widespread applications today.

The TPU industry chain includes TPU upstream raw materials and TPU downstream products, and the production of TPU raw materials is the most critical part of its industry chain. The main raw materials include methylene diphenyl diisocyanate (MDI), adipic acid (AA), 1,4-butanediol (BDO), etc. After polymerization reaction, they become TPU pellets, and then through different forming processes, all the types of TPU products are produced. Finally, the products with TPU properties for different applications are made through further processing carried out by the corresponding industries.

The critical upstream raw materials are derived from the basic materials of the petrochemical industry and belong to a capital and technology-intensive industry. In particular, the technical entry barrier of methylene diphenyl diisocyanate (MDI) is quite high. Currently, the global market is still controlled by a few manufacturers, primarily including Covestro, BASF, Lubrizol, Huntsman Corporation, Tosoh, and Wanhua Chemical, most of which are global chemical giants.

According to a Mordor Intelligence report, the global thermoplastic polyurethane (TPU) market is estimated to reach US\$2.42 billion in 2021 and is expected to reach US\$3.371 billion by 2026, with a compound annual growth rate of 6.86% from 2021 to 2026.

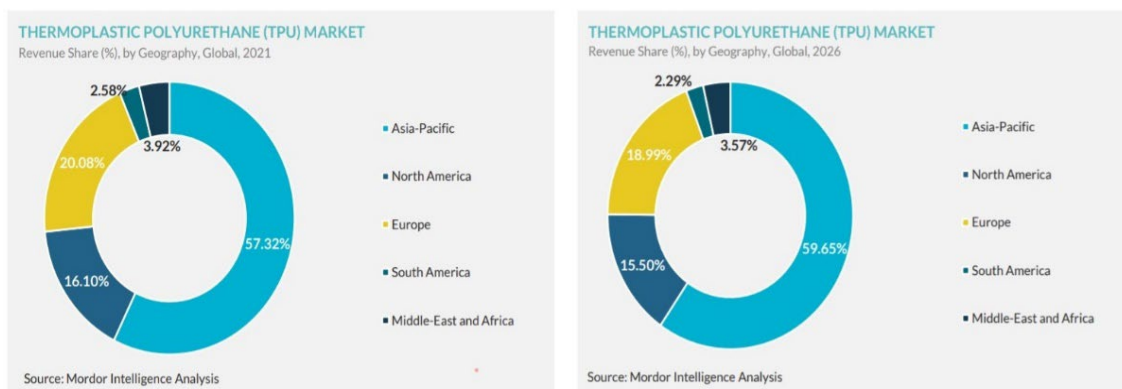
Figure 1: Global TPU sales trend (2021–2026)



Source: Mordor Intelligence report, 2021/04

By region, the Asia-Pacific region has the largest share, accounting for approximately 57.32% of the total TPU market in terms of sales in 2021. It is expected to have the highest annual compound growth rate in the forecast period, reaching 7.71%.

Figure 2: TPU market share forecast by major regions worldwide (2021-2026)



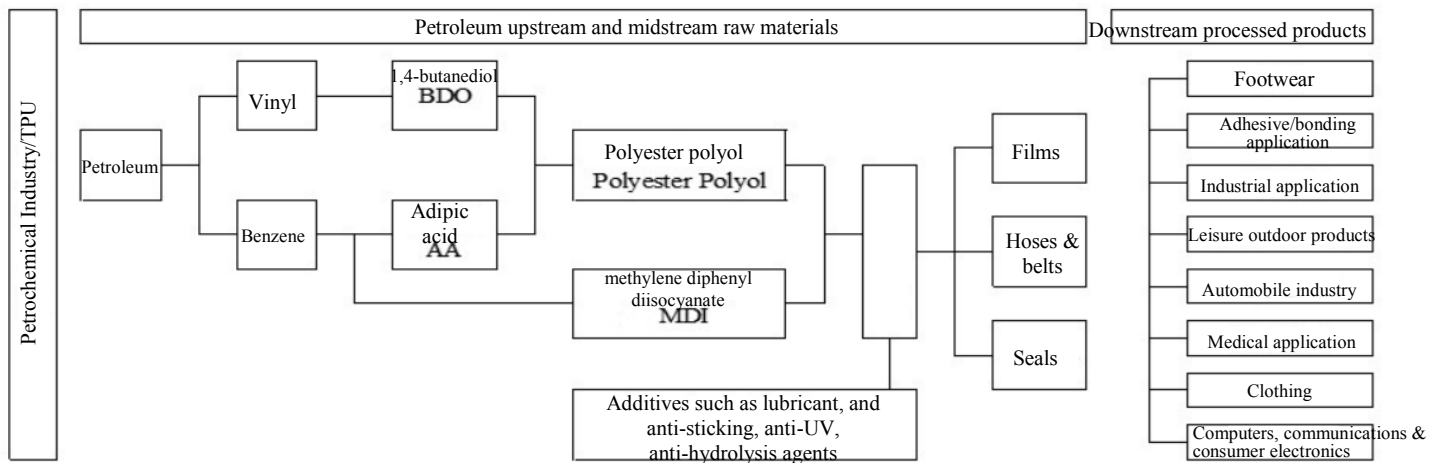
Source: Mordor Intelligence report, 2021/04

The Company's main products are produced through the procurement of upstream raw materials such as methylene diphenyl diisocyanate (MDI), adipic acid (AA), 1,4-butanediol (BDO), polyether polyol, additives, PE (polyethylene) new materials, colorants, etc. We produce our own polyester polyol and TPU (thermoplastic polyurethane) pellets and manufacture products such as films, seals, and hoses & belts through different production processes. Since TPU is more flexible than polymer materials like PVC (polyvinyl chloride), it does not require additional plasticizers or additives, and avoids damage to the environment, making the demand for TPU products increasingly high in the market.

- Relationships among the upstream, midstream, and downstream sectors of the industry

The TPU industry is characterized by a complex production chain with many products, and has developed an upstream, midstream, and downstream industrial system. The relationships between these sectors are closely integrated through cost considerations and efforts to improve overall competitiveness.

Figure 3: Upstream, midstream, and downstream industrial system of TPU



Source: Organized by the Company

#### (1) Upstream risks - stability of raw material supply

The main raw materials used by the Company are petrochemical materials such as methylene diphenyl diisocyanate (MDI), adipic acid (AA), 1,4-butanediol (BDO), etc. The production cost is easily affected by their prices, which are influenced by the international raw material supply and demand market, and have different degrees of impact on the cost of each product depending on factors such as cost control, cost transferability, product added value, and terminal application market demand. The price of raw materials is determined by the Company's procurement department through regularly collecting price trends of raw materials and observing market supply and demand conditions, so as to minimize the impact as much as possible.

To maintain the stability of raw material supply and mitigate procurement risks, the Company not only maintains close partnerships with existing suppliers, but also actively seeks other suppliers with similar quality of raw materials. At the same time, we also maintain a certain level of safety inventory to ensure the stability of the Company's operations.

#### (2) Downstream risks

The Company's TPU (thermoplastic polyurethane) products are primarily TPU film, TPU seals, and TPU hoses & belts. TPU film is primarily used in different applications such as clothing and bedding accessories (such as clothing, shoe materials, and household decorative items), leisure and sports (such as tents, outdoor sports equipment, etc.), automotive industry (such as automotive seat inflatable lumbar support airbags, automotive paint protection films, etc.), consumer electronics (substrates or protective films for devices or components), and others (such as medical devices like blood bags). TPU seals are primarily used in hydraulic cylinder equipment, while TPU hoses & belts are primarily

used in industrial pneumatic systems, conveyor belts, and drinking water tubes. Due to the wide range of downstream industries covered, they are less affected by the ups and downs of a single downstream industry, thus less affected in production and sales.

The Company aims to avoid price competition in TPU films caused by the entry of competitors or changes in end-product trends in the market. To achieve this, we continue to collaborate with international brand manufacturers to develop new products, in order to stay ahead of market trends and increase product competitiveness. For TPU seals and TPU hoses & belts, we provide solutions based on customer needs, constantly develop new products, and increase the diversity of products for customers. We also adjust new formulations to reduce costs and maintain our competitive advantage.

The Company's overall business development strategy is centered on self-reliance in TPU pellet development and one-stop production. We collaborate with global brand manufacturers to develop new products to keep up with market trends. Moreover, we expand our market and maintain customer relationships through our sales outlets in major global markets, providing customers with high-performance and environmentally friendly TPU products to meet market demand.

### 3. Various development trends of products

#### (1) The TPU film industry

DINGZING TPU (thermoplastic polyurethane) films are made from special TPU pellets developed by DINGZING using proprietary formulas, and processed through extrusion, blowing, and other manufacturing processes. Due to their excellent elasticity, superior physical properties, lightweight, and applicability to different mechanical strengths, as well as their recyclability, they are mature and environmentally friendly materials gradually replacing the applications of metals, wood, and thermosetting materials. It is expected that this will be a key factor in the increasing consumption of TPU products in the coming years. Therefore, TPU films can be used for downstream coating, gluing, lamination, molding, and plastic processing applications, with finished products covering a wide range of industrial and consumer necessities.

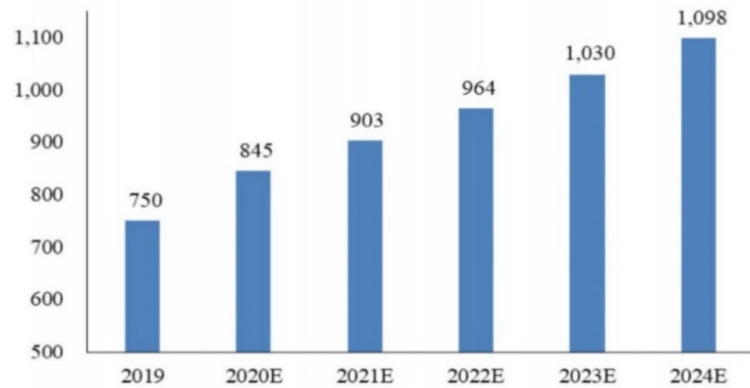
Currently, TPU films are widely used in different industries, including functional clothing, sports shoes, seamless footballs, seamless underwear, medical consumables, automotive films, industrial conveyor belts, and outdoor living products. The application industries are extremely diverse, including categories such as clothing and bedding accessories, leisure and sports, automotive industry, consumer electronics, and other areas such as medical care. Below is an overview of the applications and the corresponding industries for the Company's TPU films.

#### A. The outdoor and sporting goods industry

With the improvement of living standards, the pursuit of spiritual and cultural life, as well as the emphasis on health and entertainment have also increased. In recent years, outdoor sports such as camping, fishing, rock climbing, and mountaineering have become well-known leisure activities, making the market of outdoor leisure sporting goods to grow rapidly. Outdoor equipment such as tents, backpacks, and sleeping bags, feature waterproof, antibacterial, and stain resistance

properties. They are the characteristic applications of airtight TPU films, making TPU films to gradually replace traditional PVC (polyvinyl chloride) or rubber materials. According to the statistics released by Statista, the global outdoor sporting goods e-commerce market size in 2019 was US\$75 billion, and the market size in 2020 was US\$84.5 billion, while the compound annual growth rate from 2020 to 2024 will reach 6.8%.

Figure 4: Global outdoor sporting goods e-commerce market size forecast (2020–2024)



Source: Statista, 2020/06, (Unit: US\$100 million)

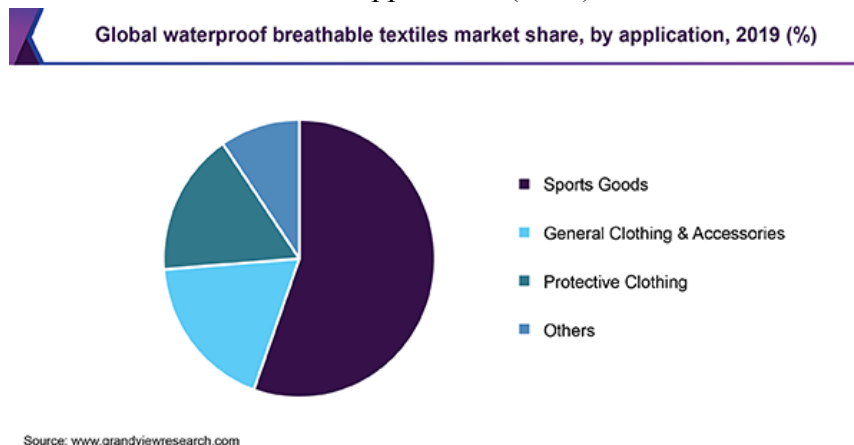
## B. Clothing and footwear

### (A) The clothing industry

TPU (thermoplastic polyurethane) film has high waterproofing capacity and excellent breathability. Its good adhesive processing properties make it suitable for lamination or bonding with fabrics. It is used in performance clothing for the most demanding outdoor and harsh weather conditions. This type of functional textile is widely used because it provides functions such as rainproof, snowproof, coldproof, and windproof. It also allows internal water vapor to escape to maintain comfort below the fabric layers. Therefore, it is extensively used in functional clothing, furniture and bedding, and mattresses. Among the end-use applications of functional textiles, clothing is the largest category, with sportswear and outdoor clothing being the main segments. According to Grand View Research's research report, the market size of waterproof and breathable textiles was US\$1.7 billion in 2019, and the estimated compound annual growth rate is 5.7%. Based on the application type, the sports equipment market accounts for the largest share of 55.2% of the global waterproof and breathable textile (WBT) market. The market is expected to further grow due to the increasing popularity of fitness activities and outdoor sports. Advanta TPU film products from DINGZING can be combined with textile fabrics in a seamless manner without affecting traditional manufacturing processes. They are widely used in the market, such as in anti-slip products, strapless bras and underwear.

With sports becoming an essential part of daily life in recent years, outdoor and indoor sports have become increasingly popular. Taking our country as an example, statistics from the Sports Administration of the Ministry of Education in Taiwan show that the proportion of the population engaging in sports is increasing year by year. According to the Statista database, the global market size for sports and leisure clothing is estimated to grow to US\$207.7 billion by 2025, with a compound annual growth rate of 2.33%.

Figure 5: Market share of global waterproof and breathable textile by application (2019)



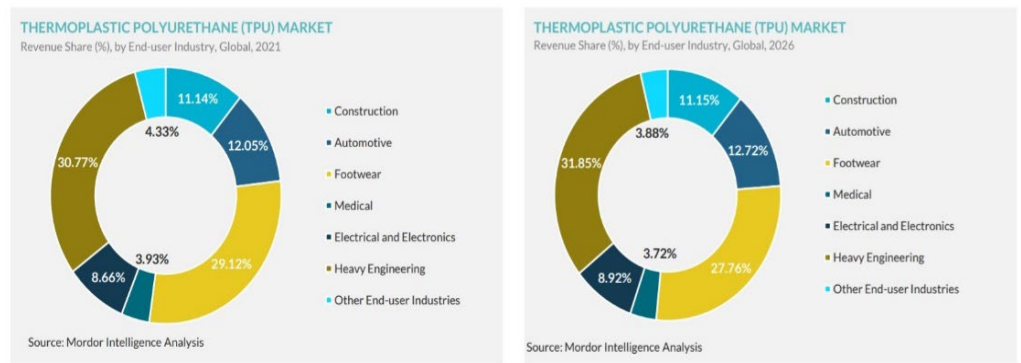
Source: Grand View Research, 2020/02

#### (B) The footwear industry

Shoes are a daily necessity with a large consumption volume. With the increasing awareness of national health and the popularity of fitness and outdoor activities, major sports brands in the market now focus on lightweight and stylish shoe designs. Traditional EVA shoe materials are less durable and tend to compress and deform over time. TPU (thermoplastic polyurethane) film, which can be used not only in the sole of shoes but also in the shoe surface, air cushion, insole, and logo decoration, gradually replaces EVA materials in shoe applications. DINGZING and sports shoe brand manufacturers have jointly developed seamless technology, which has been widely used in types of sports shoes. According to a Mordor Intelligence report, TPU footwear materials account for approximately 29.12% of the global TPU market sales in 2021, calculated based on the percentage of sales in the end-use industries. As TPU film is estimated to be applied more widely in different industries, it is predicted to maintain at 27.76% in 2026, showing that TPU film is still indispensable in the application of footwear materials.

Figure 6: Global TPU end-use industry sales percentage forecast (2021-2026)



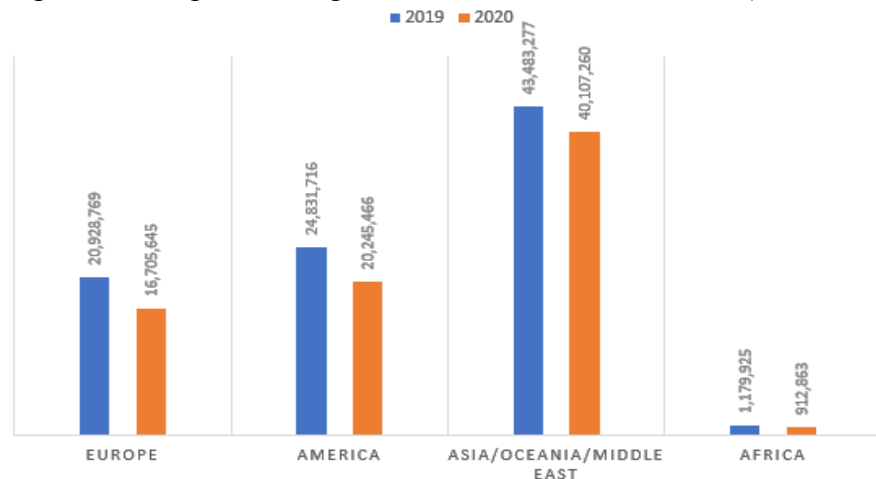


Source: Mordor Intelligence report, 2021/04

### C. The automotive industry

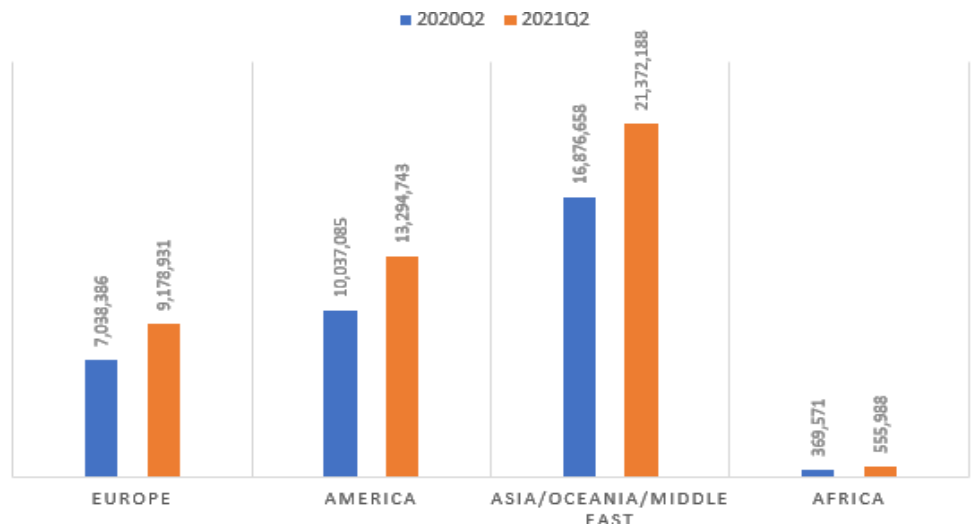
Due to its properties of abrasion resistance, corrosion resistance, insulation, sound absorption and lightweight, TPU (thermoplastic polyurethane) is widely used in the automotive industry, including car parts, interior and exterior decorations, such as bumpers, steering system components, car ceilings, doors and windows, exterior side decorations and paint protection, etc. By using TPU automotive parts, weight can be reduced, and fuel economy can be improved. Major car manufacturers are increasingly preferring to use lightweight TPU automotive parts to achieve the goal of reducing fuel consumption and carbon emission. With the impact of the COVID-19 pandemic and the shortage of automotive chips, global car sales decreased by about 14.5 million units in 2020, a decrease of 12.6% compared to 2019. However, sales rebounded in the first half of 2021, and the market supply situation stabilized. Compared with the same period last year, sales increased by about 9 million units in the first half of 2021, an increase of 29.0%, indicating that car sales are gradually recovering.

Figure 7: Comparison of global automobile sales volume (2019, 2020)



Source: International Organization of Motor Vehicle Manufacturers (OICA); organized by First Securities Inc.

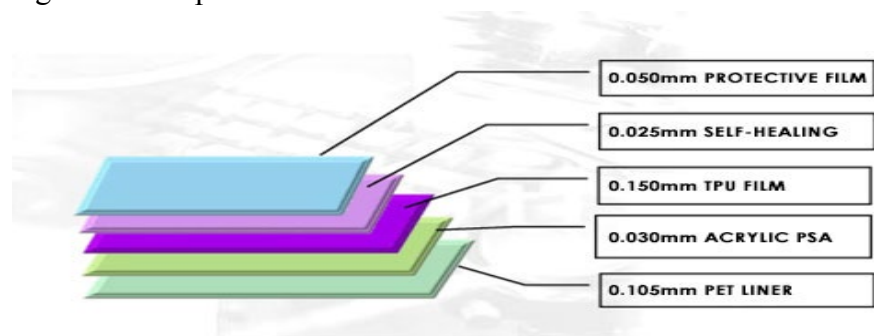
Figure 8: Comparison of global automobile sales volume (2021 Q2, 2020 Q2)



Source: International Organization of Motor Vehicle Manufacturers (OICA); organized by First Securities Inc.

In recent years, another application that has gradually increased its usage in the automotive industry using TPU film is the Paint Protection Film (PPF). The purpose is to protect the car paint by isolating external substances, UV rays, and pollutants to prevent damage to the car paint. In the past, the main material used for this application was PVC (polyvinyl chloride), but it is now replaced by environmentally friendly and superior TPU film with excellent characteristics, such as impact resistance, weather resistance, stain resistance, and self-healing function. PPF primarily uses TPU film as the substrate, with a layer of Top-Coating on top to make it self-healing and maintain its functionality. PSA (pressure-sensitive adhesive) is used on the bottom to stick it to the car paint surface (see the figure below). PPF can be used in different parts of vehicles, such as the engine hood, door panels, front and rear bumpers, side skirts, and side panels. Currently, the market trend is the development of full-vehicle wrapping.

Figure 9: Composition of PPF

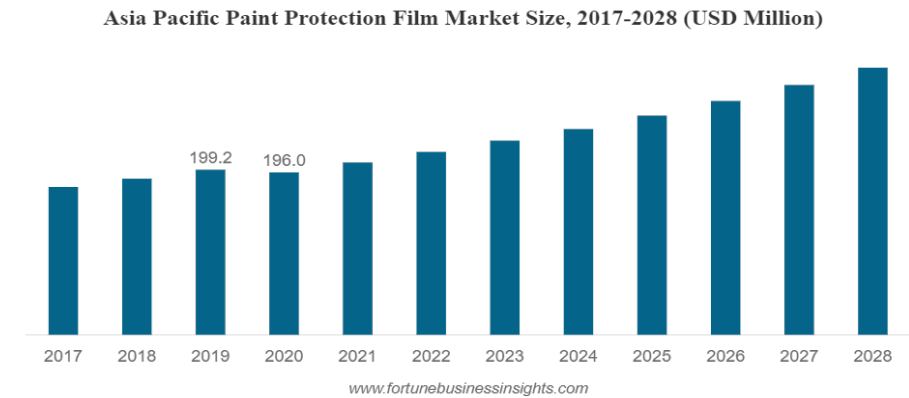


Source: Organized by the Company

According to the analysis by Fortune Business Insights, the global sales of paint protective film are expected to increase from US\$456.8 million in 2021 to US\$697.1 million in 2028, with a projected compound annual growth rate of 6.2%. In 2020, the Asia-Pacific region accounted for 45% of the global sales, with a total of US\$196 million, and China was the main market. It is expected that

the demand for PPF in the automotive industry will also increase in countries such as India, Japan, and South Korea.

Figure 10: Sales trend of PPF in the Asia-Pacific region (2021-2028)



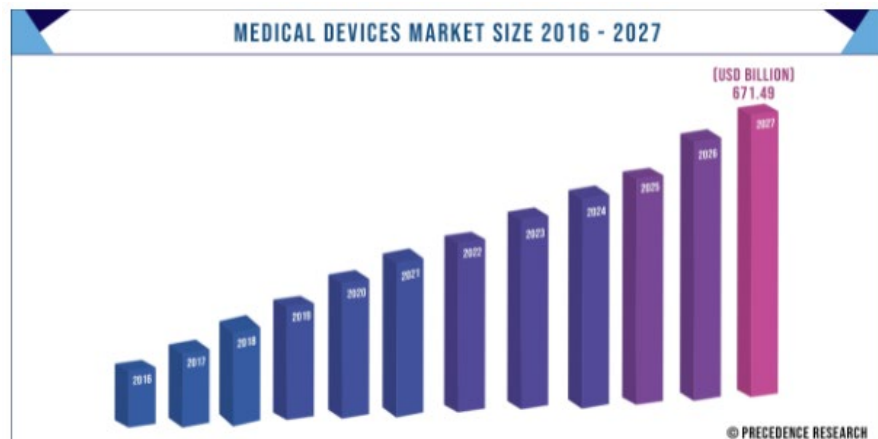
Source: Fortune business insights, 2021/06

Because the Company's TPU pellets are primarily self-developed and produced rather than purchased from external sources, we have a strong grasp of our product characteristics. Our development of non-yellowing TPU film has been applied in the PPF market because it will not turn yellow or result in discoloration or haze due to sunlight exposure.

#### D. The medical industry

With the global trend of aging population, the emergence of cardiovascular diseases and cancer, as well as the rise of long-term care issues, the demand for medical resources is increasing. According to the Precedence Research report, the global medical equipment market reached US\$447.6 billion in 2019, and it is estimated to reach US\$671.5 billion in 2027 with a compound annual growth rate of 5.2%.

Figure 11: Market size of medical devices (2016–2027)



Source: Precedence Research

The development of the healthcare industry has led to an increase in the elderly population, which in turn has driven the growing demand for medical facilities to treat chronic diseases. In recent years, the increasing expenditure on global healthcare industry research and development has led to product innovation in medical equipment, thereby promoting the demand for TPU (thermoplastic polyurethane) materials. In terms of regional distribution, North America accounts for the majority of global revenue due to its advanced basic medical

measures and attention to health issues, and it is expected to maintain a higher proportion in the coming years. Additionally, the Asia-Pacific region is expected to be the fastest-growing region due to the exacerbation of the aging population problem, the increase in per capita income, and the rise of health issues. With the construction of basic medical equipment and reforms in medical policies by local governments, the Asia-Pacific region has become a driving force for growth. According to a Mordor Intelligence report, the compound annual growth rate of TPU sales in the medical industry from 2021 to 2026 is estimated to be 5.69%, depending on the sales trend of end-user industries. Furthermore, the report also points out that due to the COVID-19 pandemic, many countries are planning to establish domestic manufacturing capability for key manufacturing activities to reduce their dependence on imports, which further promotes the demand for TPU in the medical industry.

Figure 12: Sales trend of global TPU end-user industries (2021-2026)

**THERMOPLASTIC POLYURETHANE (TPU) MARKET**  
Revenue in USD million, by End-user Industry, Global, 2016-2026

End-user Industry	2016	2017	2018	2019	2020	2021(est.)	2026 (f)	CAGR (%) (2021-2026)
Construction	226.80	237.50	249.01	262.34	257.87	269.55	375.79	6.87%
Automotive	277.18	294.66	312.04	306.05	287.44	291.44	428.76	8.03%
Footwear	592.41	621.61	652.99	689.67	678.16	704.41	935.89	5.85%
Medical	78.60	82.07	85.80	90.08	92.04	95.39	125.81	5.69%
Electrical and Electronics	172.77	182.22	192.44	203.93	200.40	209.40	300.56	7.50%
Heavy Engineering	610.59	645.76	683.58	725.84	710.85	744.34	1073.56	7.60%
Other End-user Industries	88.82	92.59	96.64	101.03	99.69	104.66	130.64	4.53%
<b>Total</b>	<b>2,047.17</b>	<b>2,156.41</b>	<b>2,272.51</b>	<b>2,378.96</b>	<b>2,326.46</b>	<b>2,419.19</b>	<b>3,371.00</b>	<b>6.86%</b>

Source: Fortune business insights, 2021/06

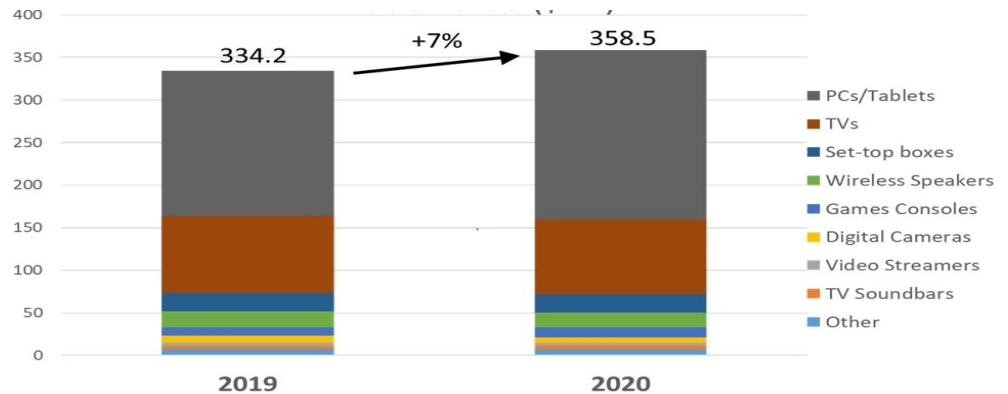
With the development of emerging medical technologies driving demand for medical procedures, coupled with the rapid growth of the global elderly population and the prevalence of chronic and cardiovascular diseases, the development of high-value medical materials has been promoted, along with the demand for raw materials. TPU film has functions such as waterproof and breathable, Anti-bacteria, biocompatibility, and anticoagulation, making it widely used in medical devices, primarily in medical tubing (such as blood transfusion tubes, infusion tubes, catheters, etc.), as well as medicine bags, blood bags, wound dressings, surgical protective gear, and antibacterial consumables. Currently, TPU films are also being tested in breathable and antibacterial bed linen, surgical curtains, medical bed tubing, and medical dressings. Therefore, the potential market for TPU films in biomedical materials is huge, and the Company has been investing in this application area for many years.

#### E. The consumer electronics industry

Consumer electronics (CE) cover a wide range of products, including all electronic devices used in people's daily lives, such as computer, communication, consumer-electronics products, audio and video equipment, and small household appliances. TPU (thermoplastic polyurethane) products also have a significant

application in consumer electronics, such as screen protective films or cases for mobile phones, substrates for components or devices, and adhesive layers for glass surfaces. Despite the global COVID-19 pandemic in 2020, the demand for consumer electronics was actually driven by factors such as working from home or distance learning. According to analysis by Strategy Analytics, the global annual growth rate for consumer electronics products was 7%, with the most significant increase in sales quantity and value seen in personal computers and tablets, which increased by 11% and 17%, respectively.

Figure 13: Changes in the global sales of consumer electronics products in 2020



Source: Precedence Research

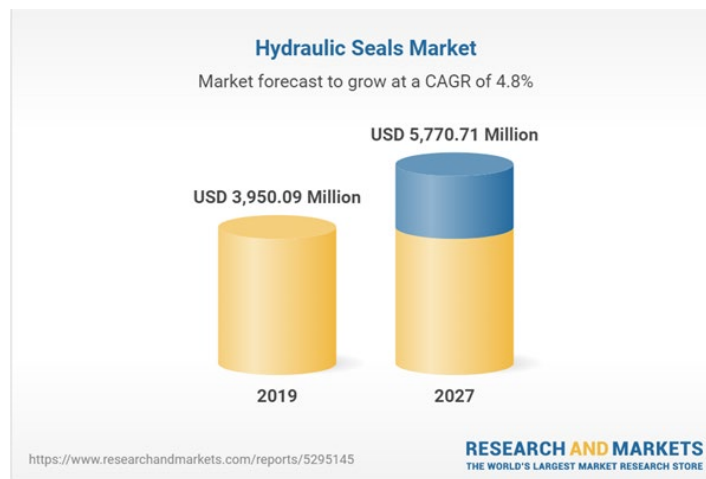
The prevalence of full-screen displays has led to the economic development of related mobile phone protection films. In addition, the hot sales of high-end flagship phones in the market have greatly increased the demand for phone wraps and screen protectors. According to a market research report by Market Research Future, the global annual compound growth rate of the smartphone screen protector market from 2021 to 2028 is estimated to be 10.25%, which is expected to drive the growth of TPU film sales.

## (2) The TPU U-seal industry

TPU U-seals are made from TPU (thermoplastic polyurethane) pellets through injection molding process. It has thermoplastic material properties similar to rubber, showing high elasticity of rubber at room temperature and can be plasticized and formed into polymer materials at high temperatures. U-Seals used in industrial equipment must be able to achieve leak-proof, dust-proof, shock-proof, wear-resistant properties. The demand for related products also increases with the advancement of industrialization and modernization in countries around the world.

According to the report from Research and Markets, the global market size of hydraulic seals will increase from US\$3.95 billion in 2019 to US\$5.77 billion in 2027, with a projected compound annual growth rate of 4.8%.

Figure 14: Forecast of global hydraulic seals market (2021-2027)



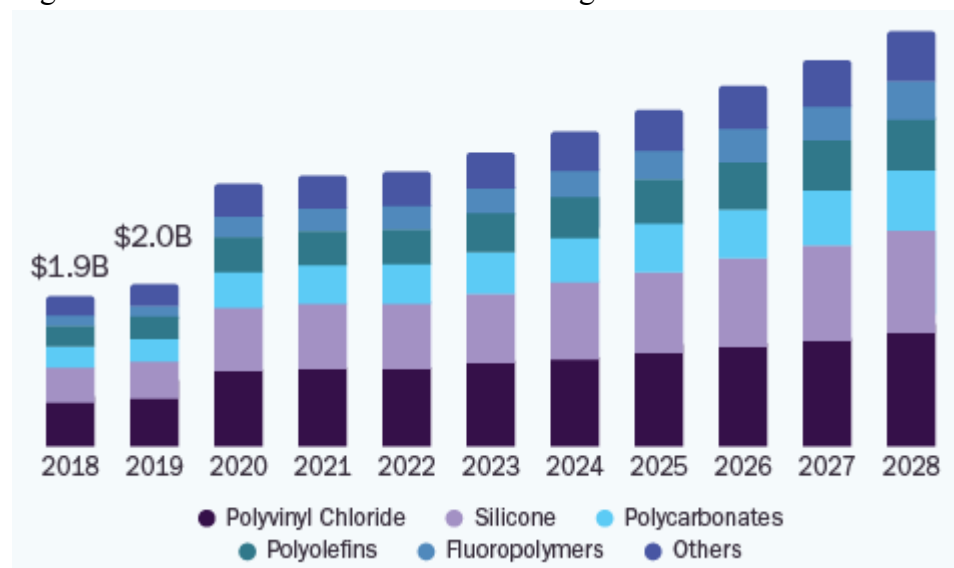
Source: Research and Market report, 2021/01

### (3) The TPU hose & belts industry

TPU hoses & belts are made through an extrusion molding process using TPU (thermoplastic polyurethane) pellets. They are high-performance polymer material with high elongation, good resistance to hydrolysis and microbiological degradation, and excellent mechanical properties such as tensile and tear resistance. The Company's hoses and belts are primarily used in industrial pneumatic systems and water tubes for outdoor products. With the rise of outdoor sports trends, the demand for water tubes has increased. The specifications for water tubes are relatively strict, and the use of TPU material to manufacture industrial tubes with thin inner walls, excellent wear resistance, and puncture resistance results in longer lifespan. They are also odorless and tasteless, which conform to FDA regulations and are suitable for inner lining of hoses and conveyor belts, gradually replacing the use of rubber products in hoses and belts.

According to the report by Grand View Research, the global medical tubing market size is expected to grow at a compound annual growth rate of 7.0% from 2020 to 2028. The Company's TPU hoses and belts have a wide range of applications, such as sports water tubes, medical bed tubes, and industrial hoses and belts.

Figure 15: Global demand for medical tubing market



Source: Grand View Research

#### 4. Product competition

The Company was founded on March 6, 1981, and is primarily engaged in the research, development, production, and sales of high-performance thermoplastic polyurethane (TPU) products, including TPU films, TPU U-seals, and TPU hoses & belts, which are used for coating, gluing, bonding, molding, and plastic processing applications. The main customers are processing manufacturers or vendors. TPU products can be widely used in clothing and footwear (such as clothing materials and shoe materials), clothing and bedding accessories (such as sports equipment, balls, home decor products, luggage, gloves), automotive industry (such as car seat inflatable airbags, car paint protection films), consumer electronics (such as mobile phone screen protectors, DSLR camera protective films), and other industries (such as medical bed tubes, blood bags, and other medical materials), covering products with different industry attributes. Currently, China contributes the highest sales volume of the Company's products, and the main competitors in the industry are Dongguan Xionglin New Material Technology Co., Ltd., Zhejiang Jiayang Plastics New Material Co., Ltd., and Zhongshan Breathtex New Material Co., Ltd.

Currently, among the TWSE/TPEX listed companies, there are no companies with product portfolios identical to ours. However, TWSE-listed Cathay Consolidated Inc. (hereinafter referred to as CCI) is primarily engaged in the production and sales of TPU functional fabrics and finished components. TWSE-listed Headway Advanced Materials Inc. (hereinafter referred to as Headway) is primarily engaged in the production and sales of PU resin and thermoplastic polyurethane (TPU pellets). TPEX-listed Cherng Tay Technology Co., Ltd. (hereinafter referred to as CHERNG TAY) is primarily engaged in the production and sales of hot melt adhesive and waterproof films. Their products sold are not exactly the same as our raw materials used for the production of films, seals, and hoses & belts

Overall, the Company's revenue has been stable over the past three years, and it has become the main driving force for the gradual growth of TPU products under the influence of the increasing emphasis on improving the quality of life and environmental issues. Moreover, the Company focuses on niche markets, develops products that meet market demands, and pays attention to future product application trends, seizing opportunities for the development of industrial products. With accumulated competitive advantages in innovation and R&D over the years, the Company's future competitiveness remains promising.

#### 5.1.3 Technology and R&D overview

##### 1. Technological level and R&D of business operations

Currently, the focus of the Company's R&D is on composite and multifunctional materials, as well as non-yellowing products. Non-yellowing products have the characteristic of good weather resistance, providing greater durability and quality for outdoor use. Furthermore, the composite and multifunctional materials can be customized to meet customers' different requirements, offering comprehensive services. The Company's R&D team and technical service team continuously improve and develop, formula, technology and production processes for different product categories, industry uniqueness, and customer needs. We also develop high-value products and will gradually invest in R&D talents, equipment, and strengthen resource integration in the future to

develop innovative products that balance efficiency and environmental protection to meet the expectations of the industry.

2. R&D expenses in the most recent year and up to the publication date of the annual report.

Unit: NT\$1,000

Item \ Year	2022(Note1)	As of March 31, 2023 (Note2)
R&D expenses (A)	107,233	None
Net operating revenue (B)	2,607,212	
Ratio of R&D expenses to net operating revenue (%) (A/B)	4.11	

Note1: Financial statements audited (verified) by certified public accountants

Note2: As of the publication date of the annual report, the first quarter financial report audited by the CPAs has not yet been obtained.

3. Technologies or products successfully developed in the past five years.

Year	Technologies or products	Function (application)
2018	PPF car wrap	Replacing PVC materials that contain plasticizers; it can be applied in car paint protection to provide excellent anti-fouling and weather resistance effects.
	PPF colored car wrap	Replacing PVC materials that contain plasticizers; it can be applied in car paint protection to provide not only anti-fouling and weather resistance effects but also diverse appearances.
	Mobile phone screen protector	Protecting mobile phone screens, especially for curved screens; it can provide all-around protection with anti-scratch and anti-fouling effects.
	Highly elastic and non-yellowing hot melt adhesive film	It can be used in white underwear for both men and women, with a seamless process, reducing the demand for labor.
2019	VCN yarn, Feneka fabric development project	The innovative Feneka fabric based on VCN yarn is easy to process and make. Combined with the fully mechanized processes in the future, the demand for labor can be reduced.
	VCN colored yarn development project	Using Feneka fabric can achieve colorful appearance, with color transfer meeting customer requirements.
	Anti-dye migration decorative film	Prevention of dye migration, which leads to discoloration.
	Foam for the electronics industry	It can be used for shock absorption.
	Non-yellowing foam, non-yellowing hot melt adhesive	It can be used for white and light-colored cup covers.
	Waterproof and breathable film with improved flexibility and breathability	Improvement of existing waterproof breathable film by increasing its flexibility, sound insulation, and breathability.



2020	Highly elastic, breathable and waterproof hot melt adhesive film	It has both breathable and waterproof functions and can be used in women's period pants, shoe and sock covers, and lightweight down jackets.
	Development of anti-fouling and repair coating	Development of anti-fouling and repair coating that can be applied on the surface of high-durability TPU film, in order to enhance the added value of the TPU film.
	Development of re-adhesive composite material (Orkesta)	Development of composite material that combines fabric and TPU film to create a high-strength adhesive material suitable for industrial applications.
	Hot melt adhesive film for water-repellent fabric	Specially designed for fabrics with water repellent and anti-siphon treatments, using this special hot melt film can avoid adhesive opening during the washing process.
2021	PUR adhesive	Using a glue dispenser to create customized designs for customers with reactive polyurethane.
	PUR cleaner for adhesive	Used for cleaning glue dispensers to prevent nozzle blockage and ensure proper operation.
	Non-yellowing window film	Suitable for outdoor tents as non-yellowing window material.
	Thermosetting hot melt adhesive film	Special hot melt film for the electronics industry.
2022	Vacuum-formed matte film	After vacuum suction molding, the matte finish can still be maintained.
	Clear window film	It can remain transparent after long periods of time, making it suitable for transparent windows.

#### 5.1.4 Long-term and short-term business development plan

The Company's short-term sales target is to continuously cultivate the service needs of existing customers in order to enhance overall satisfaction with DINGZING and thereby increase market share. With our production advantage of mastering TPU (thermoplastic polyurethane) pellet innovation to multifunctional and versatile film, we can not only improve the completeness of existing products but also integrate existing and newly developed products to create customized products based on different customer needs, making our products more diversified.

The Company's long-term sales goal is primarily to continue to expand product applications and develop high-value-added and diversified application materials. We actively explore emerging markets in Europe, America, and Southeast Asia, and cooperate with customers in different application areas to expand our market territory. With our research and development technology and quality advantages, supported by good reputation established in the past, we actively negotiate with new customers, providing a complete service structure for both group customers and regional customers.

## 5.2 Market and production & sales overview

### 5.2.1 Market analysis

#### 1. Sales of main products (services) by region

Unit: NT\$1,000

Year Region of sales		2021		2022	
		Amount	%	Amount	%
Domestic		421,254	16.59	358,015	13.73
Overseas	America	188,471	7.42	565,076	21.67
	Europe	247,349	9.74	237,557	9.11
	Asia	1,608,730	63.34	1,399,397	53.68
	Others	73,939	2.91	47,167	1.81
	Subtotal	2,118,489	83.41	2,249,197	86.27
Total		2,539,743	100.00	2,607,212	100.00

#### 2. Market share

The Company's TPU products are widely used in different industries such as automotive materials, outdoor sports equipment, clothing, medical supplies, sports shoes, electronic equipment, bags, balls, hydraulic equipment, pneumatic systems, and drinking water tubes, etc. Since there is no complete and objective market share statistical data available for different product types, it is not possible to compare the position of our market share to that of other companies in the same industry.

#### 3. Future market supply & demand and Growth

Regarding the supply situation in the TPU market, currently, upstream raw materials for TPU are still controlled by a few international giants with high market concentration. However, Wanhua Chemical Group Co., Ltd. in China has become a world-renowned giant in this field. The promotion of China's policies has made China the largest producer of TPU products globally, with a wide range of TPU products appearing in the Chinese market. Therefore, standardized TPU products will face price competition, while meeting the demand for customized products will become our competitive niche.

In terms of the demand for TPU in the market, as the EU gradually recognizes the advantages of TPU materials and restricts materials such as PVC (polyvinyl chloride), TPU products are widely used in different industries, leading to an increasing global demand for TPU. According to Mordor Intelligence's report, the global sales of thermoplastic polyurethane (TPU) in the market will have a compound annual growth rate of 6.86% from 2021 to 2026. One of the key factors is that TPU is an environmentally friendly and non-toxic material with recyclable properties, thus the consumer demand for TPU products will continue to grow.

#### 4. Competitive advantages

- (1) Possessing rich experience in collaborating with international brand manufacturers, continuously expanding customer base in different applications

With the trend of rising environmental awareness worldwide, consumers' demand for products made of materials such as PVC (polyvinyl chloride), PE (polyethylene), nylon, NBR (nitrile butadiene rubber), and PET (polyethylene terephthalate) will gradually shift towards TPU products, which have superior performance, are more environmentally friendly, and easier to process. Well-known brand manufacturers in different industries have also started to adopt TPU materials in their products, including

outdoor leisure equipment, sports equipment and functional clothing, medical consumables, automobile industry, food equipment, and other traditional applications, as well as expanding into industrial applications and consumer electronics related to daily life needs. The Company has established a close relationship with these brand manufacturers through long-term cooperation, providing customers with different creative integration. For example, in the leisure sports and consumer electronics categories, the Company collaborated with brand customers to jointly develop the required TPU materials for their products, which are made into products by their contract manufacturers. In the automobile industry, our thin films used in airbags of car massage seats are developed in collaboration with midstream auto parts manufacturers, and the materials are certified by the automaker prior to shipments. Our rich experience in collaboration and joint development with customers not only prevents our products from falling into price competition, but also continuously expands the applications and customer base of our TPU products, thereby avoiding the risk of high customer concentration in a single industry.

(2) Possessing independent R&D capabilities to meet diverse customer needs

TPU is a polymer material and is regarded as the material in the highly technical industry. The Company has established a complete ERP database system and an efficient R&D team that can provide high-quality and customized products to meet all customer requirements. In addition to being able to produce most TPU pellets independently, our R&D team also works closely with customers to understand their needs in terms of physical properties, strength, and other specifications. As a result, we have successfully developed a range of new products, including seamless TPU multilayer film, high-strength composite materials, optical-grade high-performance film, highly elastic film, hot melt adhesives, and hot melt adhesive films for bullet-resistant glass. We stay ahead of market trends and respond quickly to market demands by developing market-oriented products, which has earned us the trust and loyalty of customers in different industries. We are a leading manufacturer of TPU products.

(3) One-stop customized production to improve product quality and stability

In addition to developing and producing TPU pellets to grasp the characteristics of TPU products, the Company also has a TPU product testing laboratory to improve product stability. We also have the capability to assemble and adjust our own molding production equipment, and can provide multi-layer co-extruded and co-blown films to meet downstream processing factories' coating, bonding, lamination, molding, and plastic processing needs. With a complete product lines and one-stop production approach, we can facilitate customized production while maintaining the quality, stability and uniqueness of our TPU products, thereby maintaining our competitive advantage.

5. Advantages and disadvantages of future development and countermeasures

Advantages

(1) Development trend of green energy and environmental protection

The issue of green energy and environmental protection is a common issue that the world will face in the future. Production companies and brand manufacturers are promoting environmentally friendly materials to reduce the harm of chemicals to humans and the earth. Not only are environmental protection regulations becoming increasingly strict in Europe and the United States, but emerging countries are also gradually emphasizing low-hazard

industrial development. Developing environmentally friendly materials will become a global trend in the future of advanced chemical industries. TPU (thermoplastic polyurethane) products can naturally decompose, making them easy to recycle and not prone to producing harmful gases when burned. The material itself also does not release toxins and can be made using biomass materials, which will help increase the usage and application of TPU products, consistent with the trend of industry development.

(2) Continuous expansion of applications in the end-user markets

TPU is a material that falls between rubber and plastic and possesses properties such as oil resistance, water resistance, and mildew resistance. TPU film or hoses & belts can be produced through processing methods such as extrusion, blow molding, or injection molding. With its excellent material performance and processability, it is widely used in functional clothing, sports shoes, seamless footballs, seamless underwear, medical supplies, automotive films, food industry conveyors, and outdoor living products. Its applications continue to expand across all aspects of daily life.

(3) Accumulated experience in long-term R&D and specialized technical capability

TPU materials are widely used by international brand manufacturers in many aspects of daily life. The Company has been established for over 40 years, and has accumulated rich R&D and production/sales experience since its early days of marketing TPU seals under our own brand to overseas markets. We have obtained numerous certifications, including ISO quality management system, Oeko-Tex, GRS (Global Recycle Standard), and Higg Index. Specialized certifications are also one of the entry barriers for collaboration with international manufacturers. The Company has a one-stop customized production capability to meet the diverse needs of customers and has established a close and long-term collaborative relationship with them.

Disadvantages

(1) Cost affected by fluctuations in petrochemical raw material prices

The main raw materials used in the production of the Company's TPU products are monomer compounds such as methylene diphenyl diisocyanate (MDI), adipic acid (AA), and 1,4-butanediol (BDO). The prices of these raw materials are easily affected by market supply and demand, and the cost of raw materials for our main product accounts for about 50–60% of production costs. Fluctuations in raw material prices have an impact on the Company's gross profit.

● **Countermeasures**

- ✓ By collecting and understanding the trends of raw material prices, we establish strategic partnerships with excellent suppliers to maintain a stable source and quality of raw materials through long-term cooperation. We also maintain good relationships with these suppliers.
- ✓ We maintain reasonable and safe inventory levels and seek other suppliers who can provide similar quality materials to enhance our bargaining power.

- ✓ We strengthen the development of TPU products, using our technical expertise to develop new formulas or substitute materials to reduce the impact of fluctuations in petrochemical raw material prices on our costs.

(2) The rise of competitors in China

In the Outline of the 13th Five-Year Plan for the National Economic and Social Development and other industrial policies in China, new materials and environmentally friendly materials are clearly defined as the direction for scientific and industrial development, and companies are encouraged to invest in the development of high-performance environmentally friendly industries. This has led to the rise of the red supply chain in the petrochemical industry in China. With continuous expansion of production capacity, potential competitive threats have arisen from low-cost products.

● **Countermeasures**

- ✓ The Company is committed to developing high-value-added differentiated products. We have a strong R&D team and stable production quality, with Taiwan as our operating center and collaborative development of new products with global brand manufacturers. We have established subsidiaries and marketing bases in China, Southeast Asia, Europe, and the Americas, with a globally comprehensive service network. Through long-term service, we provide complete solutions or jointly develop new products customized to meet the specific needs of our customers. We are also one of the few TPU product manufacturers that provide one-stop production services, maintaining stable and long-term cooperative relationships with our customers. By continuously providing customized services, we create market differentiation and maintain our competitive advantage.

(3) Longer development period for new product applications

The Company actively expands the application of products. However, the development period, certification acquisition, and testing requirements vary for different products due to their respective industries. Therefore, the development and sales of our new products require a certain amount of time.

● **Countermeasures**

- ✓ Closely observe market trends and maintain good communication with customers, plan for the development of new application products in advance and adjust design direction as needed to shorten the overall development period.

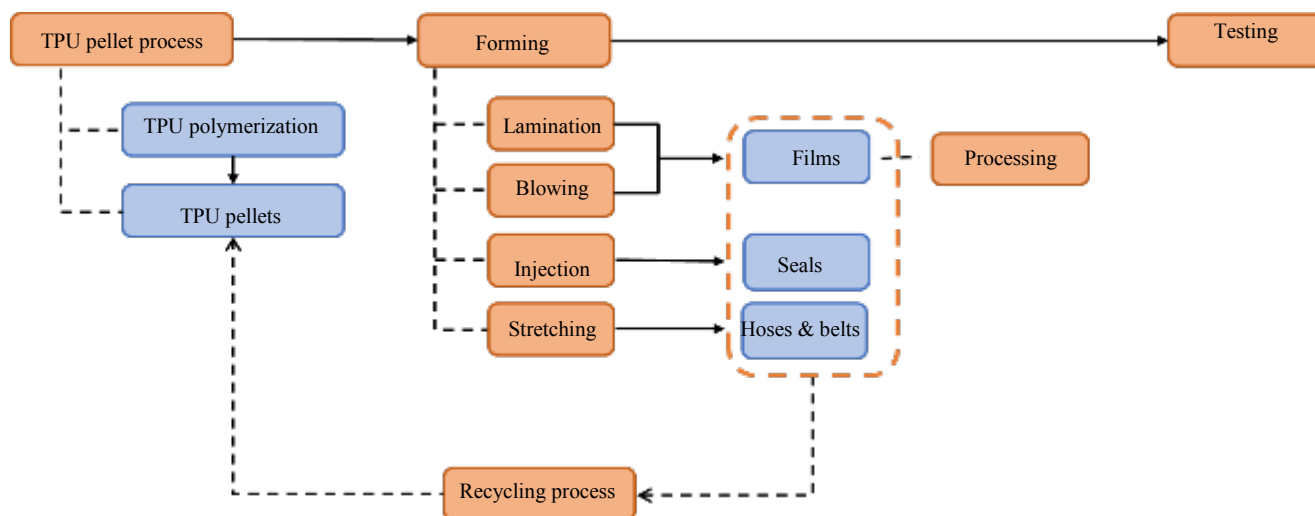
## 5.2.2 Important uses and production processes of main products

### 1. The important uses are as follows:

Main product	Uses
TPU films	TPU films are made using TPU pellets and produced through extrusion, blowing and other processes, and bonded to the required materials (such as fabrics) to form products that can be used in automotive materials, outdoor sports equipment, clothing, medical supplies, sports shoes, electronic equipment, luggage, balls, and other products. They can be used in coating, gluing, laminating, molding, and plastic processing,

Main product	Uses
	covering both industrial applications and consumer goods.
TPU U-seals	U-Seals are produced using TPU pellets through injection molding and are primarily used in hydraulic equipment.
TPU hoses & belts	Hoses & belts are produced using TPU pellets through extrusion and are primarily used in industrial pneumatic systems, drinking water tubes, etc.

## 2. Production process



### 5.2.3 Supply status of main raw materials

The main TPU (thermoplastic polyurethane) raw materials used by the Company come from major domestic and foreign suppliers with whom we maintain stable and long-term supply relationships. The price can also reflect market conditions appropriately. As of now, the supply status for our main raw materials is good, and there have been no incidents of factory shutdowns, material shortages, or other disputes.

Main raw material	Supplier	Supply status
Diisocyanate	Mitsubishi Corporation, Covestro	Normal
Polyether polyol	Mitsubishi Corporation, Ingevity, Lycra, Dairen Chemical Corporation	Normal
1,4-butanediol	Mitsubishi Corporation, Monument, Dairen Chemical Corporation	Normal
Adipic acid	Mitsubishi Corporation	Normal

### 5.2.4 List of main customers (suppliers) for sales (purchases)

- In the past two years, the names of customers who accounted for more than 10% of the total sales amount in any year, along with their sales amount and percentage, and explain the reasons for the increase or decrease: Due to increased product demand from company P in 2022; in 2021 there was not any single customer with total sales amount of 10%, so this does not apply.

Unit: NT\$1,000

Year	2021				2022			
No.	Name	Amount	Percentage of annual net sales amount [%]	Relationship with the issuer	Name	Amount	Percentage of annual net sales amount [%]	Relationship with the issuer
1	—	—	—	—	P	345,596	13.26	—

	Others	—	—	—	Others	2,261,616	86.74	—
Annual net sales amount	—	2,539,743	100.00	—	Annual net sales amount	2,607,212	100.00	—

2. In the past two years, the names of suppliers who accounted for more than 10% of the total purchase amount in any year, along with their purchase amount and percentage, and explain the reasons for the increase or decrease.

Unit: NT\$1,000

Year	2021				2022			
No.	Name	Amount	Percentage of annual net purchase amount [%]	Relationship with the issuer	Name	Amount	Percentage of annual net purchase amount [%]	Relationship with the issuer
1	Mitsubishi Corporation	512,433	40.40	Note	Mitsubishi Corporation	393,646	34.76	Note
2	Dairen Chemical Corporation	265,092	20.90	—	Dairen Chemical Corporation	276,551	24.42	—
3	Others	490,753	38.70	—	Others	462,299	40.82	—
Annual net purchase amount	—	1,268,278	100.00	—	Annual net purchase amount	1,132,496	100.00	—

Note : Mitsubishi Corporation holds approximately 9.54% of the shares of the Company and has been elected as a new director after the Company's shareholders' meeting held in May 2019. In addition, the supplier resigned from its position as director on May 27, 2020 and was replaced by Mr. Akihiko Satomi, an executive officer of Mitsubishi Corporation and its affiliated companies. Therefore, Mitsubishi Corporation is considered to have a substantial relationship with the Company.

Reasons for increase or decrease:

- (1) Mitsubishi Corporation: The amount of purchase in 2022 was NT\$118,787,000 less than that of 2021, which was caused by the reduced orders and demands for basic raw materials in the current period resulted from the impact of pandemic on the global economy and the greatly reduced global consumer demands.
- (2) Dalian Chemical: The amount of purchase in 2022 was NT\$11,459 more than that of 2021, which was caused by the increase of purchase from domestic suppliers based on the consideration of dispersion of purchase risk with the logistics of international supply of raw materials affected by the pandemic.

#### 5.2.5 Production capacity, volume and value for the last two years:

Unit: kg, NT\$1,000

Production capacity, volume, and value Main product	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Films		9,490,044	7,478,190	1,715,667	9,490,044	7,291,420	1,785,217
Hoses & belts		549,912	489,416	95,383	549,912	341,514	87,848
Seals		183,300	122,064	141,611	183,300	112,016	134,170
Total		10,223,256	8,089,670	1,952,661	10,223,256	7,744,950	2,007,235

※Each product has a different unit of production; therefore, they cannot be summed up.

### 5.2.6 Sales volume and value for the last two years:

Unit: kg, NT\$1,000

Sales volume and value Main products	Year	2021				2022			
		Domestic		Overseas		Domestic		Overseas	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Films		1,192,989	353,997	5,038,725	1,840,267	1,008,826	321,277	5,568,035	2,021,708
Hoses & belts		859	405	491,619	154,591	998	481	351,035	114,147
Seals		34,732	62,308	86,100	123,478	17,946	34,395	71,250	112,859
Others		385,585	4,573	2,026	124	174,219	1,950	1,736	395
Total		1,614,165	421,283	5,618,470	2,118,460	1,201,989	358,103	5,992,056	2,249,109

※Each product has a different unit of production; therefore, they cannot be summed up.

### 5.3 Number of employees, average length of service, average age, and education of employees for the last two years and as of the date of the publication of the annual report:

Unit: People; %

Year		2021	2022	Current year and as of Mar. 31, 2023
Number of employees	Number of management personnel	34	33	33
	Number of non-management personnel	590	605	617
	Total	624	638	650
Average age		37.74	38.93	37.86
Average length of service		5.63	5.83	5.18
Education distribution (%)	Doctor	0.00	0.00	0.00
	Master	3.85	3.76	4.15
	Junior college/Bachelor	74.36	73.51	73.08
	Senior high school	20.83	22.26	22.15
	Under senior high school	0.96	0.47	0.62

### 5.4 Information on environmental protection expenditure:

- (1) In the most recent year and up to the date of publication of the annual report, for the losses suffered by environmental pollution (for compensation and violations of environmental protection laws and regulations in the environmental protection audit results, the date of punishment, the number of the punishment, the regulations violated, the content of the violations, and the content of the punishment shall be listed), the estimated amount and countermeasures that may occur at present and in the future shall be disclosed. If the amount cannot be reasonably estimated, an explanation shall be provided:

Date of Disposition	Disposition Code	Clause of Violated Law	Content of Violation	Content of Disposition	Amount of Disposition	Responsive Measures
2023.02.06	Lien-Ho-Tzu No. 11271702885	Article 20 Paragraph 1 Item 2 of the Regulations for Management and the Fee Rates for the Usage of the Wastewater Treatment System	The result of sampling test of wastewater (sewage) indicated that it exceeded the water quality standard for	In addition to the abnormal use fee charged according to the calculation formula of	NT\$57,000	The Company was notified of the violation on January 4, 2023, and the joint sampling test with sewage treatment plant personnel was conducted on January 10, 2023. The test



		of Administration Agencies of Industrial Zones Under the Jurisdiction of Ministry of Economic Affairs	sewage treatment plant.	water quality and water quantity classification rate, an additional fee for illegal use (2 times to 3 times) shall be added.		result revealed that the improvement was indeed completed.
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## 5.5 Employee-employer relations

- (1) List the employee welfare measures, continuing education, training, retirement systems, and their implementation status, as well as the agreements and measures to protect the rights and benefits of employees between employees and employer:

1. Employee welfare measures are as follows:

The Company cares about and values employee welfare. In addition to general benefits such as labor insurance, national health insurance, group insurance, and retirement benefits, the Company provides many welfare measures, including marriage subsidies, funeral subsidies, childbirth subsidies, birthday cash gifts, Mid-Autumn Festival cash gifts, and employee stock option. Furthermore, performance bonuses are granted based on business performance.

2. Continuing education and training:

In response to the needs of employee and in compliance with regulations, we provide employee education and training, as well as specialized skill training, offering employees a comprehensive specialized skill development and self-growth.

3. Retirement system and its implementation:

The retirement system of the Company is in accordance with the Labor Standards Act. We contribute 6% of the employee's monthly salary to each individual's personal account at the Bureau of Labor Insurance as required by the law. The following is the retirement status of the Company's employees in the past two years and up to the date of the publication of the annual report:  
Unit: People

Year	2021	2022	Current year and as of Mar. 31, 2023
Number of people retired	0	1	0

4. The agreements between employee and employer and the measures for safeguarding employee rights:

To safeguard the rights and interests of employee and employer and coordinate employee-employer relations, the Company is committed to strengthening employee-employer harmony and conducting two-way communication and coordination to solve problems. Therefore, as of now, there have been no major unresolved labor disputes.

- (2) In the most recent year and up to the date of publication of the annual report, for the losses suffered due to labor disputes (for violations of the Labor Standards Act in the labor inspection results, the date of punishment, the number of the punishment, the regulations violated, the content of the violations, and the content of the punishment shall be listed), the estimated amount and countermeasures that may occur at present and in the future shall be disclosed. If the amount cannot be reasonably estimated, an explanation shall be provided: None

## 5.6 Information security management

- (1) Information security risk management framework, information security policies, specific management plans, and resources invested in information security management:

In order to strengthen information security management and ensure the confidentiality, integrity, and availability of the information assets, to provide a secure information environment for the continuous operation of the company's information business, to comply with the requirements of the law and regulations, and to prevent intentional or accidental threats from internal and external sources, the Company has established the Information Security Policy, the Internal Control System for Information Security Management, and the Procedures for Reporting and Responding to Information Security Incidents.

- (1) All internal personnel, outsourced service providers, and visitors of the Company shall comply with the Company's information security policies and regulations. The information system is divided by unit of responsibility, and problems that occur need to be reported to the responsible units.
  - (2) The supervision and implementation of information security are carried out by the supervisors of each internal unit who regularly supervise all information security business. Each unit conducts a self-examination of the effectiveness of the design and implementation of internal control systems once a year, and the unit conducts internal information security inspections. Audit personnel conduct information security audits from time to time at information units.
  - (3) To effectively control data and system access, the authorization of user access is reviewed and evaluated from time to time as needed.
  - (4) The contact for reporting information security incidents and contact lines are managed by information personnel. Upon discovering an information security incident, personnel shall immediately report it to the information unit. Relevant personnel shall record the incident handling process, review the cause of the incident, take necessary measures to improve the situation, and retain necessary evidence.
- (2) List the losses suffered due to major information security incidents in the most recent year and as of the date of publication of the annual report, the possible impacts and countermeasures. If the above mentioned cannot be reasonably estimated, explanation shall be provided:  
In the most recent year and as of the date of publication of the annual report, the Company did not encounter any significant loss due to information security incidents.

### 5.7 Important Contracts

Nature of contract	Party	Beginning and end dates of contract	Major content	Restrictive clauses
Borrowing	First Bank	May 2021- May 2022	Overall credit limit loan	None
Borrowing	First Bank	April 2022- April 2023	Overall credit limit loan	None
Borrowing	First Bank	August 2019- July 2029	Long-term Loan (National Development Fund-Factory)	None
Borrowing	First Bank	August 2019- July 2026	Mid-term Loan (National Development Fund-Machine)	None
Borrowing	First Bank	August 2019- July 2026	Mid-term Loan (National Development Fund-Operation)	None
Borrowing	Taipei Fubon Bank	November 2022- November 2023	Overall credit limit loan	None
Borrowing	CTBC Bank	March 2022- March 2023	Overall credit limit loan	None
Borrowing	CTBC Bank	September 2019- September 2024	Mid-term Loan (National Development Fund-Operation)	None
Borrowing	E.SUN Bank	September 2022- September 2023	Overall credit limit loan	None
Borrowing	E.SUN Bank	August 2019- August 2024	Mid-term Loan (National Development Fund-Operation)	None
Borrowing	E.SUN Bank	August 2019- August 2024	Mid-term Loan (National Development Fund-Machine)	None
Borrowing	Taishin Bank	September 2019- September 2024	Mid-term Loan (National Development Fund-Operation)	None
Borrowing	Cathay United Bank	October 2022- October 2023	Short-term Loan/Short-term Secured Loan	None
Borrowing	Citibank	July 2017-( No contract deadline)	Overall credit limit loan	None
Borrowing	Yuanta Bank	September 2022- September 2023	Overall credit limit loan	None
Land Lease	MOEA, ROC	April 2018- April 2028	Pingtung Technology Industrial Park (Formerly known as Pingtung Export Processing Zone)	None

## 6. Financial Status

### 6.1 Condensed balance sheet and statement of comprehensive income for the most recent 5 years

#### 6.1.1 Condensed balance sheet

##### 1. Consolidated condensed balance sheet -IFRSs

Unit: NT\$1,000

Year Item		Financial Information for the most recent 5 years (note 1)					Financial information as of March 31, 2023 (note 2)
		2018	2019	2020	2021	2022	
Current assets		1,694,121	1,324,688	1,538,698	1,446,398	1,600,667	Not applicable
Property, plant and equipment		1,774,065	1,895,014	2,583,483	2,890,566	3,182,959	
Intangible assets		3,564	5,520	9,121	8,461	6,928	
Other assets		72,033	963,200	272,601	252,725	137,633	
Total assets		3,543,783	4,188,422	4,403,903	4,598,150	4,928,187	
Current liabilities	Before distribution	917,980	1,394,592	610,452	627,893	1,053,885	
	After distribution	1,010,302	1,486,914	702,774	835,624	Not yet distributed	
Non-current liabilities		302,821	527,918	1,558,762	1,549,043	918,328	
Total liabilities	Before distribution	1,220,801	1,922,510	2,169,214	2,176,936	1,972,213	
	After distribution	1,313,123	2,014,832	2,261,536	2,384,667	Not yet distributed	
Equity attributable to owners of the parent		2,322,982	2,265,912	2,234,689	2,421,214	2,955,974	
Share capital		615,480	615,480	615,480	615,480	692,430	
Capital reserve		348,459	317,685	256,137	194,589	585,400	
Retained earnings	Before distribution	1,369,979	1,350,642	1,382,345	1,631,817	1,689,738	
	After distribution	1,308,431	1,319,868	1,351,571	1,424,086	Not yet distributed	
Other equity		(10,936)	(17,895)	(19,273)	(20,672)	(11,594)	
Treasury share		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total equity	Before distribution	2,322,982	2,265,912	2,234,689	2,421,214	2,955,974	
	After distribution	2,230,660	2,173,590	2,142,367	2,213,483	Not yet distributed	

Note 1: The financial information has been audited by the CPAs.

Note 2: The first quarter financial report audited by the CPAs has not yet been acquired as of the date of publication of the annual report.

## 2. Parent company only condensed balance sheet -IFRSs

Unit: NT\$1,000

Item \ Year		Financial Information for the most recent 5 years (note 1)				
		2018	2019	2020	2021	2022
Current assets		1,528,038	1,141,968	1,323,588	1,191,492	1,345,437
Property, plant and equipment		1,768,994	1,891,106	2,579,290	2,887,222	3,180,177
Intangible assets		3,086	5,218	8,992	8,461	6,928
Other assets		229,540	1,097,401	421,122	446,148	344,895
Total assets		3,529,658	4,135,693	4,332,992	4,533,323	4,877,437
Current liabilities	Before distribution	904,570	1,367,824	550,796	579,696	1,019,862
	After distribution	996,892	1,460,146	643,118	787,427	Not yet distributed
Non-current liabilities		302,106	501,957	1,547,507	1,532,413	901,601
Total liabilities	Before distribution	1,206,676	1,869,781	2,098,303	2,112,109	1,921,463
	After distribution	1,298,998	1,962,103	2,190,625	2,319,840	Not yet distributed
Equity attributable to owners of the parent		2,322,982	2,265,912	2,234,689	2,421,214	2,955,974
Share capital		615,480	615,480	615,480	615,480	692,430
Capital reserve		348,459	317,685	256,137	194,589	585,400
Retained earnings	Before distribution	1,369,979	1,350,642	1,382,345	1,631,817	1,689,738
	After distribution	1,308,431	1,319,868	1,351,571	1,424,086	Not yet distributed
Other equity		(10,936)	(17,895)	(19,273)	(20,672)	(11,594)
Treasury share		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,322,982	2,265,912	2,234,689	2,421,214	2,955,974
	After distribution	2,230,660	2,173,590	2,142,367	2,213,483	Not yet distributed

Note 1: The financial information has been audited by the CPAs.

Note 2: In the first quarter of 2022, the preparation of parent company-only financial statements is exempted.

## 6.1.2 Condensed statement of comprehensive income

### 1. Consolidated condensed statement of comprehensive income -IFRSs

Unit: NT\$1,000; EPS is NT\$

Item \ Year	Financial Information for the most recent 5 years (note 1)					Financial information as of March 31, 2023 (note 2)
	2018	2019	2020	2021	2022	
Operating revenue	2,276,995	2,106,291	1,987,850	2,539,743	2,607,212	Not applicable
Operating gross profit	391,744	400,161	426,214	695,677	678,125	
Operating profit or loss	83,275	63,657	123,120	330,173	299,071	
Non-operating revenue and expense	17,516	(11,873)	(46,987)	27,021	36,415	
Net profit before tax	100,791	51,784	76,133	357,194	335,486	
Net profit of continued operations for the period	79,467	42,211	62,477	280,246	265,652	
Loss of discontinued operations	-	-	-	-	-	
Net profit (loss) for the period	79,467	42,211	62,477	280,246	265,652	
Other comprehensive income for the period (net after tax)	(3,936)	(6,959)	(1,378)	(1,399)	9,078	
Total comprehensive income for the period	75,531	35,252	61,099	278,847	274,730	
Net profit attributable to owners of parent	79,467	42,211	62,477	280,246	265,652	
Net profit attributable to non-controlling interest	-	-	-	-	-	
Total comprehensive income attributable to owners of parent	75,531	35,252	61,099	278,847	274,730	
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share	1.32	0.69	1.02	4.55	4.00	

Note 1: The financial information has been audited by the CPAs.

Note 2: The first quarter financial report audited by the CPAs has not yet been acquired as of the date of publication of the annual report.

## 2. Statements of comprehensive income -IFRSs (parent company-only financial report)

Unit: NT\$1,000; EPS is NT\$

Item \ Year	Financial Information for the most recent 5 years (note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,195,862	2,041,576	1,890,898	2,485,879	2,473,159
Operating gross profit	317,783	330,837	377,212	604,113	554,436
Operating profit or loss	68,241	77,429	144,164	336,145	260,659
Non-operating revenue and expense	29,558	(22,288)	(66,006)	16,459	68,172
Net profit before tax	97,799	55,141	78,158	352,604	328,831
Net profit of continued operations for the period	79,467	42,211	62,477	280,246	265,652
Loss of discontinued operations	-	-	-	—	-
Not profit (loss) for the period	79,467	42,211	62,477	280,246	265,652
Other comprehensive income for the period (net after tax)	(3,936)	(6,959)	(1,378)	(1,399)	9,078
Total comprehensive income for the period	75,531	35,252	61,099	278,847	274,730
Net profit attributable to owners of parent	79,467	42,211	62,477	280,246	265,652
Net profit attributable to non-controlling interest	-	-	-	—	-
Total comprehensive income attributable to owners of parent	75,531	35,252	61,099	278,847	274,730
Total comprehensive income attributable to non-controlling interest	-	-	-	—	-
Earnings per share	1.32	0.69	1.02	4.55	4.00

Note 1: The financial information has been audited by the CPAs.

Note 2: In the first quarter of 2022, the preparation of parent company-only financial statements is exempted.

6.1.3 The names of CPAs in the most recent five years and their audit opinions

Year	Name of accounting firm	CPAs	Audit opinions
2018	Pricewaterhousecoopers Taiwan	Kuo-Hua Wang; Chien-Chih Wu	Unqualified opinion
2019	Pricewaterhousecoopers Taiwan	Kuo-Hua Wang; Chien-Chih Wu	Unqualified opinion
2020	Pricewaterhousecoopers Taiwan	Kuo-Hua Wang; Chien-Chih Wu	Unqualified opinion
2021	Pricewaterhousecoopers Taiwan	A-Shen Liao; Chien-Chih Wu	Unqualified opinion
2022	Pricewaterhousecoopers Taiwan	Jun-Kai Wang; A-Shen Liao	Unqualified opinion



## 6.2 Financial analysis for the most recent 5 years

### 6.2.1 Financial analysis

#### 1. IFRSs ( Consolidated financial report )

Analysis item \ Year		Financial analysis for the most recent 5 years (note 1)					Financial information as of March 31, 2023 (note 2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	34.45	45.90	49.26	47.34	40.02	Not applicable
	Ratio of long-term capital to property, plant and equipment	148.01	147.43	146.83	137.35	121.72	
Solvency (%)	Current ratio	184.55	94.99	252.06	230.36	151.88	
	Quick ratio	87.95	48.21	192.83	126.67	80.45	
	Times interest earned	819.22	445.96	561.41	1,968.56	1,613.86	
Operating performance	Accounts receivable turnover (times)	6.87	7.12	6.77	7.85	7.75	
	Average collection days	53	51	54	46	47	
	Inventory turnover (times)	2.12	2.03	2.62	3.85	2.65	
	Accounts payable turnover (times)	16.99	14.02	12.09	16.24	20.55	
	Average days in sales	172	180	139	95	137	
	Property, plant and equipment turnover (times)	1.31	1.15	0.89	0.93	0.86	
	Total asset turnover (times)	0.61	0.54	0.46	0.56	0.55	
Profitability	Return on assets (%)	2.43	1.40	1.76	6.57	5.95	
	Return on equity (%)	3.46	1.84	2.78	12.04	9.88	
	Ratio of net profit before tax to paid-in capital (%) (note 7)	16.38	8.41	12.37	58.04	48.45	
	Net profit margin (%)	3.49	2.00	3.14	11.03	10.19	
	Earnings per share (NT\$)	1.32	0.69	1.02	4.55	4.00	
Cash flow	Cash flow ratio (%)	32.81	39.24	91.08	32.28	34.11	
	Cash flow adequacy ratio (%)	64.59	91.36	83.49	62.78	59.58	
	Cash reinvestment ratio (%)	4.61	11.20	7.79	1.75	2.35	
Leverage	Operating leverage	3.42	4.50	2.65	2.61	1.70	
	Financial leverage	1.20	1.31	1.15	1.06	1.08	

Please explain the causes of changes in the financial ratios in the most recent 2 years. (Analysis is not required if the increase or decrease is less than 20%.)

The changes of financial ratios exceeding 20% in 2021 and 2022 are analyzed as shown below:

1. Decrease of current ratio and quick ratio: The quick ratio is declined due to the increase in the amount of long-term loan due within one year and the increase in the amount of current liabilities.
2. Reduction of inventory turnover: Mainly caused by Dingzing's increase of inventory in response to the change of orders resulted from the global basic raw materials affected by shortage and logistics factors under the impact of pandemic.
3. Increase of accounts payable turnover: Under the impact of pandemic, the global basic raw materials are affected by shortage and logistics factors thus leading to significant price fluctuation. For dispersion of procurement risks, Dingzing has purchased from domestic suppliers and paid for the goods on schedule according to the transaction conditions, thus leading to the increase of accounts payable.
4. Increase of average days in sales: This is due to the slowdown of order demands resulted from the greatly reduced global consumer demands as a result of the COVID-19 pandemic.
5. Increase of cash reinvestment ratio: Mainly due to the decrease of net cash inflow from operating activities resulted from the purchase of more inventories in the current period.

Note 1: The financial information has been audited by the CPAs.

Note 2: The first quarter financial report audited by the CPAs has not yet been acquired as of the date of publication of the annual report.

## 2. IFRSs (parent company-only financial report)

Analysis item \ Year		Financial analysis for the most recent 5 years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	34.19	45.21	48.43	46.59	39.39
	Ratio of long-term capital to property, plant and equipment	148.39	146.36	146.64	136.94	121.30
Solvency(%)	Current ratio	168.92	83.49	240.30	205.54	131.92
	Quick ratio	78.25	40.32	177.78	102.10	62.95
	Times interest earned	797.87	496.75	598.74	2,022.60	1,635.95
Operating performance	Accounts receivable turnover (times)	7.96	7.87	7.50	8.91	7.36
	Average collection days	46	46	49	41	50
	Inventory turnover (times)	2.29	2.20	2.76	3.67	2.87
	Accounts payable turnover (times)	16.86	14.01	11.75	16.54	20.48
	Average days in sales	159	166	132	99	127
	Property, plant and equipment turnover (times)	1.27	1.12	0.85	0.91	0.82
	Total asset turnover (times)	0.59	0.53	0.45	0.56	0.53
Profitability	Return on assets ( % )	2.44	1.39	1.77	6.65	6.01
	Return on equity ( % )	3.46	1.84	2.78	12.04	9.88
	Ratio of net profit before tax to paid-in capital ( % ) (note 7)	15.89	8.96	12.70	57.29	47.79
	Net profit margin ( % )	3.62	2.07	3.30	11.27	10.74
	Earnings per share (NT\$)	1.32	0.69	1.02	4.55	4.00
Cash flow	Cash flow ratio ( % )	34.60	36.37	98.16	29.26	27.97
	Cash flow adequacy ratio( % )	68.62	87.92	81.36	61.62	55.18
	Cash reinvestment ratio ( % )	4.87	9.96	7.52	1.22	1.20
Leverage	Operating leverage	4.06	3.74	2.28	1.57	1.72
	Financial leverage	1.26	1.22	1.12	1.06	1.09

Please explain the causes of changes in the financial ratios in the most recent 2 years. (Analysis is not required if the increase or decrease is less than 20%.)

The changes of financial ratios exceeding 20% in 2022 are analyzed as shown below:

1. Decrease of current ratio and quick ratio: The quick ratio is declined due to the increase in the amount of long-term loan due within one year and the increase in the amount of current liabilities.
2. Increase of average collection days: Mainly due to the increase of account receivable resulted from the slowed down order demands and greatly reduced global consumer demands under the impact of pandemic.
3. Reduction of inventory turnover: Mainly caused by Dingzing's increase of inventory in response to the change of orders resulted from the global basic raw materials affected by shortage and logistics factors under the impact of pandemic.
4. Increase of accounts payable turnover: Under the impact of pandemic, the global basic raw materials are affected by shortage and logistics factors thus leading to significant price fluctuation. For dispersion of procurement risks, Dingzing has purchased from domestic suppliers and paid for the goods on schedule according to the transaction conditions, thus leading to the increase of accounts payable.
5. Increase of average days in sales: This is due to the slowdown of order demands resulted from the greatly reduced global consumer demands under the impact of COVID-19 pandemic.
6. Reduction of Ratio of Operating Income to Paid-in Capital: Mainly due to the increase of paid-in capital resulted from the cash capital increase in this period.

Note 1: The financial information has been audited by the CPAs.

Note 2: In the first quarter of 2022, the preparation of parent company-only financial statements is exempted.

Formulas for the calculation:

#### 1. Financial structure

(1) Debt to assets ratio =  $\text{Total liabilities} / \text{Total assets}$

(2) Ratio of long-term capital to property, plant and equipment =  $(\text{Total equity} + \text{Non-current liabilities}) / \text{Net property, plant and equipment}$

#### 2. Solvency

(1) Current ratio =  $\text{Current assets} / \text{Current liabilities}$

(2) Quick ratio =  $(\text{Current assets} - \text{inventory} - \text{prepaid expenses}) / \text{Current liabilities}$

(3) Times interest earned =  $\text{net earnings before income tax and interest expenses} / \text{interest expenses for this period}$

#### 3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from operating activities) turnover =  $\text{net sales} / \text{average accounts receivable balance (including accounts receivable and notes receivable arising from operating activities)}$

(2) Average collection days =  $365 / \text{accounts receivable turnover}$

(3) Inventory turnover =  $\text{cost of goods sold} / \text{average inventory}$

(4) Accounts payable (including accounts payable and notes payable arising from operating activities) turnover =  $\text{cost of goods sold} / \text{average accounts payable balance (including accounts payable and notes payable arising from operating activities)}$

(5) Average days in sales =  $365 / \text{Inventory turnover}$

(6) Property, plant and equipment turnover =  $\text{net sales} / \text{average net property, plant and equipment}$

(7) Total asset turnover =  $\text{net sales} / \text{average total assets}$

#### 4. Profitability

(1) Return on assets =  $[\text{profit or loss after tax} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$

(2) Return on equity =  $\text{profit or loss after tax} / \text{average total equity}$

(3) Ratio of net profit before tax to paid-in capital =  $\text{net earnings before tax} / \text{paid-in capital}$

(4) Net profit margin =  $\text{profit or loss after tax} / \text{net sales}$

(5) Earnings per share =  $(\text{profit or loss attributable to owners of parent} - \text{preferred stock dividends}) / \text{weighted average number of shares outstanding}$

#### 5. Cash flow

(1) Cash flow ratio =  $\text{net cash flows from operating activities} / \text{Current liabilities}$

(2) Net cash flow adequacy ratio =  $5\text{-year sum of net cash flow from operating activities} / 5\text{-year sum of (capital expenditures} + \text{increases in inventory} + \text{cash dividends})$

(3) Cash reinvestment ratio =  $(\text{net cash flows from operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$

#### 6. Leverage:

(1) Operating leverage =  $(\text{Net operating revenue} - \text{variable operating costs and expenses}) / \text{operating}$

income

(2) Financial leverage = operating income / (operating income – interest expense)

6.3 Audit Committee Audit Review Report for the most recent year's financial statement

Refer to appendix 2

6.4 Financial statement for the most recent year

Refer to appendix 3

6.5 The parent company-only financial statement for the most recent year, certified by the CPAs.

Refer to appendix 4

6.6 If Dingzing or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect Dingzing's financial situation: There is no such situation.

## 7 . A review and analysis of Dingzing's financial position and financial performance, and a listing of risks

### 7.1 Financial position:

Unit: NT\$1,000

Item \ Year	2021	2022	Amount increased / decreased	Variation Ratio (%)
Current assets	1,446,398	1,600,667	154,269	10.67
Property, plant and equipment	2,890,566	3,182,959	292,393	10.12
Intangible assets	8,461	6,928	(1,533)	(18.12)
Other assets	252,725	137,633	(115,092)	(45.54)
Total assets	4,598,150	4,928,187	330,037	7.18
Current liabilities	627,893	1,053,885	425,992	67.84
Other liabilities	1,549,043	918,328	(630,715)	(40.72)
Total liabilities	2,176,936	1,972,213	(204,723)	(9.40)
Equity attributable to owners of the parent	2,421,214	2,955,974	534,760	22.09
Share capital	615,480	692,430	76,950	12.50
Capital reserve	194,589	585,400	390,811	200.84
Retained earnings (Before distribution)	1,631,817	1,689,738	57,921	3.55
Total equity	(20,672)	(11,594)	9,078	(43.91)
<p>The major reasons for major changes in assets, liabilities, and shareholders' equity in the recent most two years (changes of more than 20% between a previous and later period where the amount of changes reaches NT\$10 million) and their impacts and future response plans shall be explained:</p> <ol style="list-style-type: none"> <li>1. Decrease of other assets: Mainly due to the decrease of right-of-use assets and prepayments for equipment.</li> <li>2. Increase of current liabilities: Mainly due to the increase of short-term borrowings and long-term liabilities due within a year.</li> <li>3. Decrease of other liabilities: Mainly due the decrease of long-term borrowings and lease liabilities - non-current.</li> <li>4. Increase of equity attributable to owners of the parent and capital reserve: Mainly due to the increase of cash capital increase, there has not been any major impact for the financial business.</li> </ol>				

## 7.2 Financial performance:

### 7.2.1 Financial performance analysis

Unit: NT\$1,000

Item \ Year	2021	2022	Amount increased / decreased	Variation Ratio (%)
Net sales revenue	2,539,743	2,607,212	67,469	2.66
Gross sales revenue	695,677	678,125	(17,552)	(2.52)
Operating income	330,173	299,071	(31,102)	(9.42)
Non-operating revenue and expense	27,021	36,415	9,394	34.77
Net profit before tax	357,194	335,486	(21,708)	(6.08)
Net profit for the period	280,246	265,652	(14,594)	(5.21)
Loss of discontinued operations	—	—	—	—
Net profit for the period	280,246	265,652	(14,594)	(5.21)
Other comprehensive income for the period	(1,399)	9,078	10,477	(748.89)
Total comprehensive income for the period	278,847	274,730	(4,117)	(1.48)
Net profit attributable to owners of parent	280,246	265,652	(14,594)	(5.21)
Net profit attributable to non-controlling interest	—	—	—	—
Total comprehensive income attributable to owners of parent	278,847	274,730	(4,117)	(1.48)
Total comprehensive income attributable to non-controlling interest	—	—	—	—
Earnings per share	4.55	4.00	(0.55)	(12.09)
<p>The main reason for major changes in operating revenue, net operating profit, and net profit before tax in the most recent two years of more than 20% with the amount of change reaches NT\$10 million:</p> <p>Increase of total amount of other comprehensive income in this period: Mainly due to the fluctuation of foreign currency exchange rate.</p>				

7.2.2 The expected sales volume in the next year and its basis, and the possible impact on Dingzing's future financial business and the responsive plan: The Company's forecast is based on the past sales situation while taking into consideration the future economic condition. The Company will actively expand customer base, continue to develop new products with enhanced production efficiency and reduced costs, and improve customer satisfaction, in order to strengthen its own competitive advantages and enhance Dingzing's profitability.

### 7.3 Cash flow analysis

#### 7.3.1 Analysis and explanation for the cash flow changes during the most recent year

Unit: NT\$1,000 ; %

Year Item	2021(A)	2022(B)	Amount increased / decreased (B-A)	Increased / decreased Ratio
Operating activities	202,683	359,508	156,825	77.37
Investment activities	(553,554)	(387,520)	166,034	29.99
Financial activities	(127,067)	118,047	245,114	(192.90)
Analysis and explanation of changes in ratio of cash flow increase/decrease: 1. Increase of cash inflow of operating activities: Mainly due to the reduction of purchase of basic raw materials resulted from the global economy affected by the pandemic. 2. Increase of cash outflow for investment activities: Increase of acquisition of property, factory, and equipment. 3. Increase of cash inflow from financial activities: Mainly due to the repayment of long-term and short-term borrowings in this period.				

7.3.2 Corrective measures to be taken in response to illiquidity: The Company has sufficient cash in the recent years, and there is no such the liquidity insufficiency.

7.3.3 Analysis of the changes of cash flow in the coming year (2023):

Unit: NT\$1,000

Beginning of year cash balance	Expected net operating activities cash flow for the whole year	Expected net cash flow of investing and financing activities for the whole year	Cash surplus (deficit)	Remediation measures of estimated cash insufficiency	
				Investment	Wealth management
473,773	607,649	(610,052)	471,370	-	-
1. Analysis of the changes of cash flow in the coming year: (1) Operating activities: Mainly the net cash inflow from operating activities and the net impacts of changes of accounts receivable and accounts payable. (2) Investment activities: Mainly the capital expenditures for acquisition of property, factory and equipment. (3) Financing activities: Mainly the expenditures for borrowing, repayment of bank loans and distribution of dividends. 2. Remedial measures and liquidity analysis of estimated cash insufficiency: Not applicable.					

7.4 The impacts of major capital expenditures on financial operations in recent years:

7.4.1 The Company's capital expenditures of the most recent years including construction of new factory, purchase of self-made raw material production equipment, and the upgrade and maintenance of original equipment.

7.4.2 Expected benefits:

The Company has adhered to the spirit of constant research and innovation to enhance core technologies, create added value of products, and promote the industrial innovation directions. Considering the overall development and future operation needs, we will expand the operation scale by renting a land in the Pingtung Export Processing Zone for expansion of factory and equipment. We will also implement vertical integration of industrial supply chain to effectively improve the industrial competitiveness.



7.5 Reinvestment policy in the most recent year, main reasons for its profit or loss, improvement plan and investment plan for the next year:

7.5.1 Reinvestment policy in the most recent year, main reasons for its profit or loss, and improvement plan:

Unit: NT\$1,000

Name of Reinvested Business	Reinvestment Policy	Profit and Loss of 2022	Main Reasons for its Profit or Loss	Improvement Plan
Dingzing Polyurethane Europe B.V. (hereinafter referred to as Netherlands Dingzing)	Marketing business	820	Netherlands Dingzing is the service base set up by Dingzing in Netherlands to promote the transactions of between Dingzing and business organizations in Europe based on the prices and policies authorized by Dingzing. The Company calculated the payment for goods sold to Europe once per month, and a certain portion of this amount will be the commission for Netherlands Dingzing, so its operation and profitability are rather stable.	Not applicable
Shanghai Dintex Trading Co., Ltd. (hereinafter referred to as Shanghai Dintex)	Sales of high-tech polyurethane products	(1,079)	Shanghai Dintex is Dingzing's base for serving the customers in Eastern and Northern China and the customers designated by Dingzing. Its main products are thin film products for customers in the fields of automobile industry, home furnishing products, medical supplies, and clothing materials. The reduction of customer orders due to the pandemic in 2022 has led to loss after tax in current period.	Active visits of customers and participation in exhibitions of product applications to pursue more orders.
Dongguan Dingli Polyurethane Trading Co., Ltd. (hereinafter referred to as Dongguan Dingli)	Sales of high-tech polyurethane products	(8,153)	Dongguan Dingli is Dingzing's base for serving the customers in southern China and the customers designated by Dingzing. Its main products are thin film products for customers in the fields of automobile industry, industrial applications, medical supplies, and clothing materials. The reduction of customer orders due to the pandemic in 2022 has led to loss after tax in current	Active visits of customers and participation in exhibitions of product applications to pursue more orders.

Name of Reinvested Business	Reinvestment Policy	Profit and Loss of 2022	Main Reasons for its Profit or Loss	Improvement Plan
			period.	
Dingzing Advanced Materials Incorporated (hereinafter referred to as Cayman Dingzing)	Reinvestment in a variety of businesses	36,676	Cayman Dingzing and US Dingzing DE are investment holding companies which do not operate other businesses. Their after-tax net profit mainly comes from recognized investment profit or loss of reinvested companies; US Dingzing NJ is Dingzing's base for serving the customers in US and the customers designated by Dingzing. Its main products are thin film products for customers in the fields of automobile industry, home furnishing products, medical supplies, and clothing materials. The customer demands remain stable in 2022, so the operation and profitability are rather steady.	Not applicable
Dingzing Advanced Materials USA, Inc. (hereinafter referred to as US Dingzing DE)	Reinvestment in a variety of businesses	36,675		
Dingzing Advanced Materials USA, LLC (hereinafter referred to as US Dingzing NJ)	Marketing business	43,051		
Dingzing Advanced Materials Vietnam Co., Ltd. (hereinafter referred to as Vietnam Dingzing)	Marketing business	(3,123)	Vietnam Dingzing is Dingzing's base for servicing and development customers in Vietnam, and servicing customers designated by Dingzing. Vietnam Dingzing is still at the stage of development of sales market, and the pandemic in Vietnam has not yet been mitigated. The local commercial activities are mostly stopped due to government policies so that the progress of market development has been slow. The operating gross profit is not sufficient to support management and sales expenses, thus leading to the loss after tax.	The salespersons of Vietnam Dingzing have been actively visiting customers and participating in exhibitions of product application in order to enhance Dingzing's exposure in Vietnam market and to pursue orders in new market fields. However, the COVID-19 pandemic in Vietnam has not yet been mitigated. The local commercial activities are mostly stopped due to government policies so that the progress of market development has been slow. The Company will continue to seek opportunities for exploration of market and

Name of Reinvested Business	Reinvestment Policy	Profit and Loss of 2022	Main Reasons for its Profit or Loss	Improvement Plan
				customers.

Note 1: All aforementioned reinvested businesses have been listed as subsidiaries in the consolidated financial report.

7.5.2 Investment plan for the next year: The Company will carefully evaluate the need for long-term investment based on market demands and operating status, future capital situation, and Dingzing's operating policies.

7.6 The following risk items of the most recent year as of the publication date of annual report shall be analyzed and evaluated

7.6.1 The impacts of interest rate, exchange rate changes, and inflation on Dingzing's profit and loss, and future responsive measures:

Unit: NT\$1,000

Risk item	Subject	Impacts on company's profit and loss		
		2020	2021	2022
Interest rate	Net interest income (expense)	(12,147)	(17,098)	(18,728)
	Ratio to net operating revenue	(0.61)%	(0.67)%	(0.72)%
Exchange rate	Exchange profit (loss)	(45,564)	(5,087)	41,105
	Ratio to net operating revenue	(2.29)%	(0.20)%	1.58%

1. The impact of the change of interest rate on Dingzing's profit and loss, and future responsive measures:

The Company's net interest income (expense) in 2021 and 2022 are NT\$17,098,000 and NT\$18,728,000 respectively, accounting for (0.67)% and (0.72)% of total operating revenue, so the change of interest rate did not have any major impact on Dingzing. The Company has regularly evaluated bank loan interest rates and maintained close contact with banks to obtain more favorable interest rates and reduce interest expenses.

2. The impact of exchange rate changes on Dingzing's profit and loss, and future responsive measures:

The Company's currency exchange profit (loss) in 2021 and 2022 were NT\$5,087,000 and NT\$41,105,000 respectively, accounting for (0.20)% and 1.58% of total operating revenue. The Company's purchase and sales are mainly quoted in US dollars, and the proportion of sales is greater than that of purchases. Therefore, operating activities will generate net positions in US dollars, and are vulnerable to exchange profits and losses caused by changes in the US dollar exchange rate. The Company's measures for foreign exchange are based on the principle of risk reduction, and the following measures have been adopted in response to exchange rate changes and reduction of impact of exchange rate:

- (1) When Dingzing is quoting for customers, the more stable and conservative exchange rate will be adopted based on the consideration of factors of exchange rate changes in order to reduce the impact of exchange rate changes on the profit. And Dingzing will adjust the proportion of products sold to increase the sales of products with better bargaining power and decrease the sales of products with lower bargaining power.

- (2) The personnel of Dingzing's financial department maintain close contact with the foreign exchange departments of financial institutions and pay close attention to the information of exchange rate changes and changes in the international economic situation at any time to be fully aware of the domestic and foreign exchange rate trends and changes. It has properly preserved foreign exchange position in the foreign currency deposit account of the transaction bank to meet the demand for foreign exchange funds, and the foreign exchange position will be timely adjusted in response to the exchange rate fluctuation. For example, when the NT dollar is expected to show a depreciation trend against the US dollar in the future, the US dollar position will be reserved and exchanged after the depreciation of NT dollar in order to slow down the impact of exchange rate fluctuations on the group's profits.

In summary, Dingzing's management of foreign currency funds is based on a steady and conservative principle while taking necessary measures to reduce the risks generated from the changes of exchange rates. The Company has maintained close contact with the financial institutions with frequent transactions to be fully aware of real-time changes of exchange rates. Therefore, Dingzing's currency exchange risk hedging measures can properly control and reduce the possible impacts of changes of currency exchange risks, and the exchange rate changes shall not have any major impact on Dingzing operation.

3. The impact of inflation on Dingzing's profit and loss, and future responsive measures:

Based on the profitability during 2021–2022, there has not been any major impact of the high inflation on Dingzing's operation and profitability. With that said, Dingzing will pay close attention to the fluctuation of economic environment and market environment to prevent Dingzing from the negative impacts of inflation and deflation.

- 7.6.2 Policies for engaging in high-risk, high-leverage investments, lending funds to others, endorsement guarantees, and derivatives transactions, the main reasons for profits or losses, and future responsive measures:

1. The Company is focused on the development of its own business without engaging in any high risk and high leverage investment.
2. The Company has formulated the Management Measures for Loans of Funds to Others, the Management Measures for Endorsements/Guarantees, and the Management Measures for Acquisition or Disposal of Assets for risk control and to serve as the basis for lending funds to others, endorsement guarantee, and derivatives transaction.
3. The Company provided a guarantee for a lease contract for the US subsidiary Dingzing Advanced Materials USA, LLC, and the lease period is September 1, 2018 to January 31, 2023. The deadline has been reached, so it has been canceled.

- 7.6.3 Future R&D plan and the expected investment in R&D:

1. Future R&D plans

- (1) VCN yarn (100% TPU yarn) development project
- (2) Feneka fabric, dyeing and finishing development project
- (3) Finished product of automobile baked painting protective film
- (4) Finished products of optical grade protective films
- (5) New type of foam material (non-yellowing product for consumer electronics)
- (6) Advanced polymer composite materials

2. Expected investment in R&D: The Company's R&D expenses in 2021 and 2022 account for 2.90% and 4.11% of annual operating revenue respectively. With the continuation or upgrade of Dingzing's product development project, the R&D expenditures of the coming years are expected to be kept at the same level or increased to maintain Dingzing's competitive advantages.

7.6.4 The impacts of changes of domestic and foreign important policies and laws on Dingzing's financial operation, and responsive measures:

In the most recent year and as of the publication date of prospectus, there has not yet been any major impacts of changes of domestic and foreign important policies and laws on Dingzing's financial operation. The Company's management team will continue to pay attention to any change of policies and laws and regulations which could affect Dingzing operation and respond immediately in order to reduce the impacts of changes of domestic and foreign important policies and laws on Dingzing's financial operation.

7.6.5 The impacts of changes in technology (including information and communication security risks) and industry on Dingzing's financial operation, and responsive measures:

The Company pays attention to the changes in the industry, the technology development and evolution, the market pulse and industry information at all times and timely adjusts product combination in order to meet market demand and to maintain Dingzing's competitiveness. In order to strengthen the information security management, Dingzing has formulated the Information Security Policies, Internal Control System of Information Security Management and Procedures for Information Security Event Reporting and Emergency Response Mechanisms to ensure the confidentiality, completeness, and availability of Dingzing's information assets, provide the information environment for continuous operation of Dingzing's information business, and comply with relevant regulatory requirements so that it can be protected from internal and external intentional or incidental threats; in the most recent year and as of the publication date of prospectus, there has not been any major impact of the changes in technology (including information and communication security risks) and industry on Dingzing's financial operations.

7.6.6 The impact of change of corporate image on the corporate crisis management and responsive measures:

The Company has good corporate image based on the consideration of the maximum interests of consumers and social responsibilities. Currently Dingzing has entered the health financial structure of the capital market in order to recruit more outstanding talents to Dingzing and cultivate more professional talents, so as to enhance the capability of management team, maximize the team effectiveness, and create higher profit for Dingzing. During the pursuit of maximum profit for the shareholders, Dingzing has also fulfilled the corporate social responsibility of rewarding the society. There has not been any corporate crisis management resulted for the change of corporate image in the most recent year and as of the date of publication of prospectus.

Corporate image and goodwill are the foundation of a company's operation and development. The management has been paying attention to regulatory requirements and customer demands at all times during daily operation. In case of any incident damaging the corporate image, Dingzing shall take the responsive measure immediately to maintain corporate image while taking care of both the regulatory requirements and the customer perception.

7.6.7 The expected benefits and possible risks of merger and acquisition, and responsive measures:

The Company does not have any merger and acquisition plan in the most recent year and as of the publication date of prospectus. However, if there is any merger and acquisition plan in the future, it will be handled in accordance with Dingzing's Management Measures for Acquisition or Disposal of Assets to surely protect the rights and interests of Dingzing and its shareholders.

7.6.8 The expected benefits and possible risks of factory expansion, and responsive measures:

Along with the continuous R&D of new products by Dingzing to meet the customers' procurement demands, the required space for production has been constantly growing. However, the spaces currently allocated for the factory, offices, and machines are about to

be saturated and the production lines are insufficient. Considering Dingzing's overall development and future operation requirements, the board meeting on April 13, 2018 approved the factory expansion plan to rent the national land in Pingtung Export Processing Zone (currently known as Pingtung Science Industrial Park) from Pingtung Branch of Export Processing Zone Administration, MOEA to build four new factories. After the new factories have been built, some of existing production lines in Kaohsiung Factory will be moved to Pingtung Factory, and there will also be production lines established for new products. The space of Kaohsiung Factory will be re-arranged to improve the production movement line. There will also be new thin film production equipment added to Kaohsiung Factory to facilitate the enhancement of production capacity and new product development.

With the expansion of Pingtung Factory and the integration of production movement lines of existing production lines in Kaohsiung Factory, the factory space application will be properly planned in coordination with new product development to improve the production efficiency. This move will help Dingzing expand operation scale for the pursuit of profitability and enhancement of industrial competitiveness, thus benefitting the future development of Dingzing. The factory expansion of Dingzing has gone through complete, careful, and professional assessment process with major capital expenditures approved by the board meeting. The Company's management team is equipped with rich industrial experience, and the members of Dingzing's R&D team are equipped with relevant academia and industrial background with years of experience in TPU product field and the insight of industrial demands. Therefore, the investment benefits and possible factory expansion plan have been thoroughly considered for the factory expansion plan.

This factory expansion is based on phased construction, and Phase 1–Phase 4 have all been completed with usage licenses and factory registrations all acquired in 2021 and 2022. Currently it is in the process of relocation and installation of some machines and equipment, and some warehouse spaces are used as the raw material warehouse temporarily. The machines and equipment will be gradually moved depending on the development of pandemic and production schedule. There has not been any major abnormality.

#### 7.6.9 Risks of purchase or sales concentration and responsive measures:

##### 1. Risks of purchase concentration and responsive measures:

Based on the industry characteristics, quality and yield, delivery schedule, and market supply and demand, Dingzing has identified the risk of purchase concentration on Mitsubishi Corporation in Japan. The main reason is that Mitsubishi Corporation is the distributor of many manufacturers of TPU monomer raw materials in Japan, and Dingzing has to purchase these raw materials via Mitsubishi Corporation, thus leading to the purchase concentration.

The Company has established good long-term cooperative relationship with Mitsubishi Corporation without any shortage of raw material supply. However, in order to maintain the flexibility among raw materials manufacturers, Dingzing has not signed any long-term supply contract with Mitsubishi Corporation to prevent the force majeure from causing the risks of supply shortage and uncontrollable costs during the purchase of raw materials in the same country. In addition to maintaining the good partnership with Mitsubishi Corporation, Dingzing has already been actively searching for new suppliers in different countries for distributed purchase among suppliers of the same nature in order to reduce the risk of purchase concentration.

##### 2. Risks of sales concentration and responsive measures:

There has not yet been any obvious high concentration in Dingzing. The Company has adhered to its strong R&D and innovation capability. In addition to maintaining long-term relationship with customers, Dingzing is also dedicated in developing new customers to expand and diversified business sources, so that there shouldn't be any risk of sales concentration to affect Dingzing's steady growth.

7.6.10 The impacts and risks of transfer or replacement of large amounts of equity of board directors, supervisors, or shareholders with more than 10% of shares on Dingzing, and responsive measures:

There is no such situation.

7.6.11 The impact and risk of change of ownership on Dingzing, and responsive measures:

There is no such situation.

7.6.12 Litigation or non-litigation events:

1. As for the litigation, non-litigation, or administrative dispute events with affirmed conviction or in the process in the most recent two years and as of the publication date of annual report with the results which could have major impacts on the equity of shareholders or the securities prices, the facts in dispute, the amount of subject matter, the date of commencement of the litigation, the main parties involved in the litigation and the current processing situation shall be disclosed: there is no such situation.
2. The litigation, non-litigation, or administrative dispute events with affirmed conviction or in the process involving the board directors, supervisors, president, actual person in charge, and shareholders with more than 10% of total shares in the most recent two years and as of the publication date of annual report with the results which could have major impacts on the equity of shareholders or the securities prices: There is no such situation.
3. The situations specified in Article 157 of the Securities and Exchange Act involving the board directors, supervisors, manager, and shareholders with more than 10% of total shares in the most recent two years and as of the publication date of prospectus, and the handling situation by Dingzing: There is no such situation.

7.6.13 Other important risks and responsive measures: None.

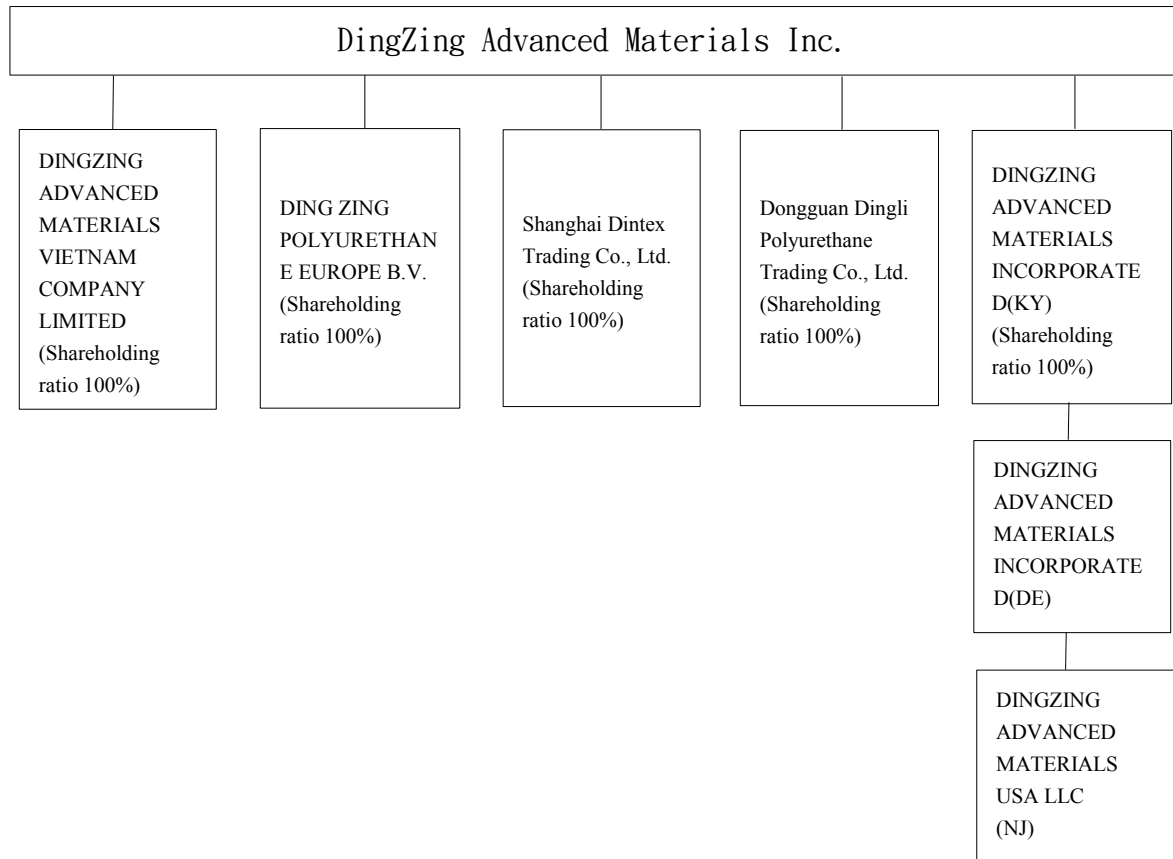
7.7 Other Important Matters: None.

## 8. Special items to be included

### 8.1 Information related to Dingzing's affiliates

#### 8.1.1 Overview of affiliates:

##### 1. Organization chart of each affiliate



##### 2. The relationship between Dingzing and affiliated companies, mutual shareholding ratios, shares and actual investment amount are as shown below:

December 31, 2022; Unit: 1000 NTD/Foreign Currency

Name of affiliated company	Relationship to Dingzing	Affiliated company held by the Company		
		Number of shares	Ratio	Investment amount
Dingzing Polyurethane Europe B.V.	Subsidiary	—	100%	787 (€18,000)
Shanghai Dintex Trading Co., Ltd.(note 1)	Subsidiary	—	100%	70,455 (US\$2,400,000)
Dongguan Dingli Polyurethane Trading Co., Ltd. (note 1)	Subsidiary	—	100%	91,746 (US\$3,000,000)
Dingzing Advanced Materials Vietnam Co., Ltd.	Subsidiary	—	100%	18,910 (US\$623,000)
Dingzing Advanced Materials Incorporated	Subsidiary	3,000,000	100%	89,738 (US\$3,000,000) (note 2)
Dingzing Advanced Materials	Sub-	100	100%	89,738



USA, Inc.	subsidiary			(US\$3,000,000) (note 2)
Dingzing Advanced Materials USA, LLC	Sub-subsidiary	—	100%	89,738 (US\$3,000,000) (note 2)

Note 1: It is a limited company in Mainland China, where there is no requirement of share issuance.

Note 2: The Company directly owns Dingzing Advanced Materials Incorporated (hereinafter referred to as Cayman Dingzing), and reinvests in Dingzing Advanced Materials USA, Inc. (hereinafter referred to as US Dingzing DE) via Cayman Dingzing as a holdings company of the group, and then reinvest in Dingzing Advanced Materials USA, LLC via US Dingzing DE.

### 3. Affiliated company's basic information

Name of company	Date of establishment	Address	Paid-in capital	Main Business or Production Item
Dingzing Polyurethane Europe B.V.	April 2010	Weerenweg 17 A, 1161AE Zwanenburg, The Netherlands	€ 18,000	Marketing business
Shanghai Dintex Trading Co., Ltd.	October 2008	No. 216, Jinyuan 3rd Road, Jiangqiao Township, Jiading District, Shanghai City	USD \$2,000,000	Sales of high-performance thermoplastic polyurethane products
Dongguan Dingli Polyurethane Trading Co., Ltd.	August 2013	2F, Building 3, Tiansheng Industrial Park, Xinhe Port Avenue, Wanjiang District, Dongguan City, Guangdong Province	USD \$3,000,000	Sales of high-performance thermoplastic polyurethane products
Dingzing Advanced Materials Incorporated	February 2014	P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 Cayman Islands	(note 1)	Reinvestment in a variety of businesses
Dingzing Advanced Materials USA, Inc.	April 2016	1201 Orange Street, STE. 600 Wilmington , DE, 19899 U.S.A.	(note 1)	Reinvestment in a variety of businesses
Dingzing Advanced Materials USA, LLC	December 2017	Unit B4&B5, 1 County Road, Secaucus, NJ07094, USA	(note 1)	Marketing business
Dingzing Advanced Materials Vietnam Co., Ltd.	June 2018	Floor 2nd, An Khanh Building, 63 Pham Ngoc Thach, Ward 6, District 3, Ho Chi Minh City, Vietnam	(note 2)	Marketing business

Note 1: The board meeting of Dingzing on December 14, 2016 approved the investment in the founding of overseas holding company and the reinvested overseas subsidiary (sub-subsidiary) in US. Currently Dingzing directly invests in Dingzing Advanced Materials Incorporated (incorporated in the Cayman Islands) as the holding company for the group to invest in the US holding company of Dingzing Advanced Materials USA, Inc., which founded the subsidiary (sub-subsidiary) Dingzing Advanced Materials USA, LLC in New Jersey, US.

Note 2: The board meeting of Dingzing approved the investment in the founding of Vietnam subsidiary on December 14, 2016, and the founding and registration of Dingzing Advanced Materials Vietnam Co., Ltd. was completed in June, 2018.

4. The information of the same shareholders determined to have the control and subordination relationship: Not applicable.
5. The industries covered by the business of all affiliated enterprises, and the businesses of affiliated enterprises correlated to each other, and the explanation of the condition of division of labor: This affiliated enterprise is the base for Dingzing to indirectly expand the overseas and China markets and to provide services to customers in the proximity.
6. Information on directors, supervisors, and president of affiliated company:

April 30, 2023

Unit: share

Name of Company	Title	Name of Representative	Shareholding held	
			Number of share	Shareholding ratio
Dingzing Polyurethane Europe B.V.	Director and president	Howard K. Lin	note 1	100%
Shanghai Dintex Trading Co., Ltd.	Chairman	Hsun-Tai Lin	note 1	100%
	Supervisor	Howard K. Lin		
Dongguan Dingli Polyurethane Trading Co., Ltd.	Chairman	Hsun-Tai Lin	note 1	100%
	Supervisor	Howard K. Lin		
Dingzing Advanced Materials Incorporated	Chairman	Hsun-Tai Lin	3,000,000	100%
	President	Howard K. Lin		
Dingzing Advanced Materials USA, Inc.	Chairman	Hsun-Tai Lin	100	100%
	President	Howard K. Lin		
Dingzing Advanced Materials USA, LLC	Chairman	Hsun-Tai Lin	note 1	100%
	President	Howard K. Lin		
Dingzing Advanced Materials Vietnam Co., Ltd.	Chairman	Hsun-Tai Lin	note 1	100%

Note 1: A limited company; this therefore does not apply.

7. Operation overview of affiliated companies in 2022:

Unit: NT\$1,000

Name of company	Capital	Total assets	Total liabilities	Net worth	Operating revenue	operating income	Net profit for the period	Earnings per share
Dingzing Polyurethane Europe B.V.	787	16,695	-	16,695	6,464	896	820	Note 1
Shanghai Dintex Trading Co., Ltd.	58,712	104,256	36,123	68,133	205,726	1,980	(1,079)	Note 1
Dongguan Dingli Polyurethane Trading Co., Ltd.	91,746	153,059	66,532	86,527	436,158	6,447	(8,153)	Note 1
Dingzing Advanced Materials Incorporated	89,738	235,745	159,710	76,035	510,783	31,665	36,676	0.01
Dingzing Advanced Materials USA, Inc.	89,738	235,745	159,710	76,035	510,783	31,665	36,675	366.75
Dingzing Advanced Materials USA, LLC	89,738	234,435	159,710	74,725	510,783	31,665	43,051	Note 1
Dingzing Advanced Materials Vietnam Co., Ltd.	18,910	5,012	1,137	3,875	62	(3,149)	(3,123)	Note 1

Note 1: A limited company; this therefore does not apply.

(2) Consolidated financial statements of affiliated companies: Refer to appendix 3

(3) Consolidated business report of affiliate companies: There is no such situation.

8.2 Private placement of securities in the most recent year and up to the date of publication of the annual report: None

8.3 Subsidiaries' holding or disposal of the Company's shares in the most recent year and up to the date of publication of the annual report: None

8.4 Other necessary supplementary notes: None

8.5 If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of Dingzing's securities, has occurred during the most recent year or during the current year up to the date of publication of the annual report, such situations shall be listed one by one.: There is no such situation.

**Dingzing Advanced Materials Incorporated**

**Statement of Internal Controls**

Date: 03/14/2023

According to the examination on internal control system done by the Company itself in 2022, we hereby state as follows :

- (1)The Company’s Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company’s internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- (2)Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company’s internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3)The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the “Guidelines for the Establishment of Internal Control Systems by Public Companies” (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4)The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5)The examination result indicated that the Company’s internal control system (including subsidiary governance) dated December 31, 2021 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies.
- (6)This Statement is a significant part of the Company’s annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan’s Security and Exchange Act.
- (7)The Company hereby declares that this statement had been approved by the Board of Directors on March 14, 2023. Among the 8 attending Directors(Including 2 delegates) 0 objected, to the contents of this statement.

Dingzing Advanced Materials Incorporated

Chairman                      Hsun-Tai Lin

General Manager    Howard K. Lin

**Dingzing Advanced Materials Incorporated**  
**Audit Committee Audit Review Report**

The board of directors submits the company's 2022 business report, consolidated financial report, individual financial report, and earnings distribution proposal. Within these, the consolidated financial report and parent company-only financial report were audited by certified public accountants Chun-Kai Wang and A-Shen Liao of PwC Taiwan, and audit reports have been issued for such.

After review by the Audit Committee, the aforementioned business report, consolidated financial report, parent company-only financial report, and earnings distribution proposal are determined to have no inaccuracies. This report has been hereby prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please take it under advisement.

Respectfully submitted to the

Dingzing Advanced Materials Incorporated 2023 General Shareholder Meeting

Dingzing Advanced Materials Incorporated

Audit Committee Convener: Kuo-Pin Su

March 14, 2023

**DINGZING ADVANCED MATERIALS  
INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021**

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

## **Representation Letter**

In connection with the Consolidated Financial Statements of Affiliated Enterprises of DINGZING ADVANCED MATERIALS INCORPORATED (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2022 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of DINGZING ADVANCED MATERIALS INCORPORATED and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, DINGZING ADVANCED MATERIALS INCORPORATED does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

DINGZING ADVANCED MATERIALS INCORPORATED

By

Lin, Hsun-Tai, Chairman

March 14, 2023

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000500

To the Board of Directors and Stockholders of Dingzing Advanced Materials Incorporated

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Dingzing Advanced Materials Incorporated and its subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

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



## ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

### **Appropriateness of sales revenue cut-off**

#### Description

Please refer to Note 4(25) for the accounting policies on revenue recognition.

All of the Group's operating revenue are revenue from contracts with customers. The revenue is recognised when the control of the products has transferred and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Given that a manual process and judgments are involved in the process of transferring the control of the products and fulfilling the contracts, it raises concern about whether the revenue accrued near the financial period-end was recognised in an appropriate manner. Hence, the sales revenue cut-off is identified as a key audit matter.

#### How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtained an understanding, assessed and tested whether the internal controls of the sales recognition process is effectively designed and implemented.
2. Verified if the revenue is recognised in an appropriate manner by testing transactions conducted during a certain period of time immediately prior to and after the financial period end, agreeing documentation required for revenue recognition and determining the cut-off based on the terms of sales.

## **Allowance for inventory valuation loss**

### Description

Please refer to Note 4(12) for the accounting policies on inventory valuation, Note 5 for uncertainty of accounting estimates and assumption on inventory evaluation; and Note 6(4) for the details of the inventories.

The inventories are stated at the lower of cost and net realisable value. The net realisable value is subject to management judgement when individually identifying the excess or damaged inventories among numerous items. Thus, the allowance for valuation loss is identified as a key audit matter given the estimate uncertainty.

### How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on our understanding of the Group's businesses and industry, assessed that the policies are reasonable relating to the allowance for inventory valuation loss, including policies associated with scrapped or sold inventories, judgement on excess or obsolete items and the consistency of policies on estimates.
2. Verified whether the reports are consistent with the Group's accounting policy, agreed with scrapped or sold inventories by sampling the individual items of inventories and assessed whether the allowance for inventory valuation loss is appropriate.

## ***Other matter – Parent company only financial statements***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Dingzing Advanced Materials Incorporated as at and for the years ended December 31, 2022 and 2021.

### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

### ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

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

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

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

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

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WANG, CHUN-KAI

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Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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

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

**DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 473,773	10	\$ 382,515	8
1136	Current financial assets at amortised cost	6(2)	-	-	55,308	1
1150	Notes receivable, net	6(3)	22,635	-	21,427	1
1170	Accounts receivable, net	6(3) and 7	323,628	7	287,576	6
130X	Inventories	6(4)	683,610	14	619,550	13
1410	Prepayments		69,183	1	31,511	1
1476	Other current financial assets		487	-	579	-
1479	Other current assets, others	6(5)	27,351	-	47,932	1
11XX	Current Assets		1,600,667	32	1,446,398	31
Non-current assets						
1600	Property, plant and equipment	6(6) and 8	3,182,959	65	2,890,566	63
1755	Right-of-use assets	6(7)	84,916	2	149,930	3
1780	Intangible assets	6(8)	6,928	-	8,461	-
1840	Deferred income tax assets	6(24)	35,165	1	33,259	1
1915	Prepayments for business facilities		9,253	-	63,215	2
1920	Guarantee deposits paid	8	8,299	-	6,321	-
15XX	Non-current assets		3,327,520	68	3,151,752	69
1XXX	Total assets		\$ 4,928,187	100	\$ 4,598,150	100

(Continued)

**DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021			
			Notes	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(9) and 8	\$	300,000	6	\$	-	-
2130	Current contract liabilities	6(17)		10,777	-		45,206	1
2170	Accounts payable			60,414	1		31,221	1
2180	Accounts payable to related parties	7		40,413	1		55,683	1
2200	Other payables	6(10)		185,659	4		192,652	4
2230	Current income tax liabilities			67,301	1		60,682	1
2280	Current lease liabilities			13,652	-		15,752	-
2320	Long-term liabilities, current portion	6(11) and 8		355,824	7		204,051	4
2399	Other current liabilities, others	6(11)		19,845	1		22,646	1
21XX	Current Liabilities			1,053,885	21		627,893	13
Non-current liabilities								
2540	Long-term borrowings	6(11) and 8		831,785	17		1,400,865	31
2580	Non-current lease liabilities			71,965	2		136,290	3
2630	Long-term deferred revenue	6(11)		14,145	-		11,888	-
2645	Guarantee deposits received			433	-		-	-
25XX	Non-current liabilities			918,328	19		1,549,043	34
2XXX	Total Liabilities			1,972,213	40		2,176,936	47
Equity								
Share capital								
3110	Share capital - common stock	6(13)(14)		692,430	14		615,480	13
Capital surplus								
3200	Capital surplus	6(15)		585,400	12		194,589	4
Retained earnings								
		6(16)						
3310	Legal reserve			222,005	5		193,981	4
3320	Special reserve			20,672	-		19,273	1
3350	Unappropriated retained earnings			1,447,061	29		1,418,563	31
Other equity interest								
3400	Other equity interest		(	11,594)	-	(	20,672)	-
3XXX	Total equity			2,955,974	60		2,421,214	53
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$	4,928,187	100	\$	4,598,150	100

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

DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(17) and 7	\$	2,607,212	100	\$	2,539,743
5000 Operating costs	6(4)(22)(23) and 7	(	1,929,087)	( 74)	(	1,844,066)
5900 Net operating margin			678,125	26		695,677
Operating expenses	6(4)(8)(22)(23)					
6100 Selling expenses		(	163,806)	( 6)	(	178,054)
6200 General and administrative expenses		(	110,726)	( 4)	(	105,816)
6300 Research and development expenses		(	107,233)	( 4)	(	73,559)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		2,711	-	(	8,075)
6000 Total operating expenses		(	379,054)	( 14)	(	365,504)
6900 Operating profit			299,071	12		330,173
Non-operating income and expenses						
7100 Interest income	6(18)		3,433	-		2,018
7010 Other income	6(7)(19)		26,388	1		50,739
7020 Other gains and losses	6(20)		28,755	1	(	6,620)
7050 Finance costs	6(7)(9)(11)(21)	(	22,161)	( 1)	(	19,116)
7000 Total non-operating income and expenses			36,415	1		27,021
7900 Profit before income tax			335,486	13		357,194
7950 Income tax expense	6(24)	(	69,834)	( 3)	(	76,948)
8200 Profit for the year		\$	265,652	10	\$	280,246
<b>Other comprehensive income</b>						
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8361 Other comprehensive income (loss), before tax, exchange differences on translation		\$	9,078	1	(	1,399)
8300 Other comprehensive income (loss) for the year, net of tax		\$	9,078	1	(	1,399)
8500 Total comprehensive income for the year		\$	274,730	11	\$	278,847
Profit, attributable to:						
8610 Owners of the parent		\$	265,652	10	\$	280,246
Comprehensive income attributable to:						
8710 Owners of the parent		\$	274,730	11	\$	278,847
Earnings per share	6(25)					
9750 Total basic earnings per share		\$		4.00	\$	4.55
9850 Total diluted earnings per share		\$		3.99	\$	4.54

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



DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent					Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Retained Earnings Unappropriated retained earnings		
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 615,480	\$ 256,137	\$ 187,733	\$ 17,895	\$ 1,176,717	(\$ 19,273)	\$ 2,234,689
Profit for the year		-	-	-	-	280,246	-	280,246
Other comprehensive loss		-	-	-	-	-	( 1,399)	( 1,399)
Total comprehensive income (loss)		-	-	-	-	280,246	( 1,399)	278,847
Appropriation 2020 earnings :								
Legal reserve appropriated		-	-	6,248	-	( 6,248)	-	-
Special reserve		-	-	-	1,378	( 1,378)	-	-
Cash dividends	6(16)	-	-	-	-	( 30,774)	-	( 30,774)
Cash dividends from capital surplus	6(16)	-	( 61,548)	-	-	-	-	( 61,548)
Balance at December 31, 2021		\$ 615,480	\$ 194,589	\$ 193,981	\$ 19,273	\$ 1,418,563	(\$ 20,672)	\$ 2,421,214
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 615,480	\$ 194,589	\$ 193,981	\$ 19,273	\$ 1,418,563	(\$ 20,672)	\$ 2,421,214
Profit for the year		-	-	-	-	265,652	-	265,652
Other comprehensive income		-	-	-	-	-	9,078	9,078
Total comprehensive income		-	-	-	-	265,652	9,078	274,730
Appropriation 2021 earnings :								
Legal reserve appropriated		-	-	28,024	-	( 28,024)	-	-
Special reserve		-	-	-	1,399	( 1,399)	-	-
Cash dividends	6(16)	-	-	-	-	( 207,731)	-	( 207,731)
Proceeds from issuance of shares	6(13)(14)	76,950	390,811	-	-	-	-	467,761
Balance at December 31, 2022		\$ 692,430	\$ 585,400	\$ 222,005	\$ 20,672	\$ 1,447,061	(\$ 11,594)	\$ 2,955,974

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

DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 335,486	\$ 357,194
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	( 2,711 )	8,075
Depreciation expense	6(6)(7)(22)	208,572	202,605
Amortization expense	6(8)(22)	1,273	1,352
Interest income	6(18)	( 3,433 )	( 2,018 )
Interest expense	6(21)	22,161	19,116
Government grant revenue (shown as deduction on operating costs)	6(4)	( 445 )	( 2,480 )
Losses (gains) on disposal of property, plant and equipment	6(20)	( 5 )	84
Loss on disposal of intangible assets	6(8)	746	-
Profit from lease modification	6(7)(19)	( 17 )	( 28,589 )
Impairment loss recognised in profit or loss, other receivables	6(20)	11,726	-
Unrealised exchange (gains) losses		1,890	( 21,703 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 1,086 )	20,935
Accounts receivable		( 28,779 )	( 10,457 )
Inventories		( 63,039 )	( 280,449 )
Prepayments		( 37,567 )	( 8,795 )
Other current financial assets		2	( 374 )
Other current assets, other		9,469	( 3,719 )
Changes in operating liabilities			
Current contract liabilities		( 34,544 )	( 3,607 )
Notes payable		-	( 79 )
Accounts payable		29,253	( 15,462 )
Accounts payable to related parties		( 15,202 )	( 39,488 )
Other payables		5,854	38,378
Other current liabilities, others		( 3,701 )	( 231 )
Cash inflow generated from operations		435,903	230,288
Interest received		3,524	2,048
Interest paid		( 15,395 )	( 14,332 )
Income tax paid		( 64,524 )	( 15,321 )
Net cash flows from operating activities		359,508	202,683

(Continued)

DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		\$ -	(\$ 55,308 )
Proceeds from disposal of financial assets at amortised		55,308	-
Acquisition of property, plant and equipment	6(26)	( 246,022 )	( 222,432 )
Increase in prepayments for business facilities	6(26)	( 194,694 )	( 272,747 )
Proceeds from disposal of property, plant and equipment		196	334
Acquisition of intangible assets	6(8)	( 486 )	( 693 )
(Increase) decrease in refundable deposits		( 1,822 )	( 2,708 )
Net cash flows used in investing activities		( 387,520 )	( 553,554 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(27)	1,300,000	800,000
Repayments from short-term borrowings	6(27)	( 1,000,000 )	( 902,359 )
Proceeds from long-term borrowings	6(27)	193,200	483,500
Repayments of long-term borrowings	6(27)	( 613,956 )	( 398,332 )
Payments of lease liabilities	6(27)	( 21,647 )	( 17,554 )
Increase in guarantee deposits received	6(27)	420	-
Cash dividends paid (cash dividends from capital surplus)	6(16)	( 207,731 )	( 92,322 )
Proceeds from issuance of shares	6(14)	467,761	-
Net cash flows from (used in) financing activities		118,047	( 127,067 )
Effect of exchange rate changes		1,223	23,613
Net increase (decrease) in cash and cash equivalents		91,258	( 454,325 )
Cash and cash equivalents at beginning of year	6(1)	382,515	836,840
Cash and cash equivalents at end of year	6(1)	\$ 473,773	\$ 382,515

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

DINGZING ADVANCED MATERIALS INCORPORATED AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE  
INDICATED)

1. HISTORY AND ORGANISATION

(1) Dingzing Advanced Materials Incorporated (the “Company”) was established in February 1981, formerly named Dingzing Chemical Products Co., Ltd. and renamed in May 2015 for business operation. The Company and its subsidiaries (the “Group”) are primarily engaged in manufacture and sale of high-tech polyurethane (Thermoplastic Polyurethane, hereinafter “TPU”), wholesale of chemical raw materials and international trade.

(2) The Company has been a listed company since May 20, 2022.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts — cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018 – 2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. The consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2022	December 31, 2021	
The Company	DING ZING POLYURETHANE EUROPE B.V.	Marketing	100%	100%	Note
	SHANGHAI DINTEX TRADING CO., LTD	Sale of high-tech polyurethane relative products	100%	100%	
	DING LI POLYURETHANE CO., LTD.	Sale of high-tech polyurethane relative products	100%	100%	
	DINGZING ADVANCED MATERIALS INCORPORATED	Reinvest in various business	100%	100%	
	DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	Marketing	100%	100%	
	DINGZING ADVANCED MATERIALS INCORPORATED	Reinvest in various business	100%	100%	
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS USA, INC.	Marketing	100%	100%	
DINGZING ADVANCED MATERIALS USA, INC.	DINGZING ADVANCED MATERIALS USA LLC	Marketing	100%	100%	

Note: On September 7, 2022, the Board of Directors approved the dissolution and liquidation. The related procedures are still in process.

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

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

E. Significant restrictions: None.

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

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

##### B. Translation of foreign operations

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

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

#### (5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

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

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:



- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that were obtained within three months, and meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 46 years
Machinery and equipment	3 ~ 21 years
Transportation equipment	3 ~ 10 years
Office equipment	4 ~ 10 years
Leasehold assets	10 years
Other equipment	3 ~ 16 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate; and
  - (c) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.
- The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and
  - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(15) Intangible assets

A. Trademarks

Trademarks and licences that are separately acquired at cost, have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

B. Software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

C. Patents

Patents are stated at cost and amortised on a straight-line basis over their estimated useful life of 9 to 20 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Employee benefits

A. Salaries and other short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

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

(25) Revenue recognition

- A. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts and sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts and sales rebate payable to customers (shown as other current liabilities, others) in relation to sales made until the end of the reporting period.

As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### (26) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

#### (27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

### 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

#### Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$683,610.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 1,769	\$ 2,152
Checking accounts and demand deposits	<u>472,004</u>	<u>380,363</u>
	<u>\$ 473,773</u>	<u>\$ 382,515</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

### (2) Current financial assets at amortised cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits with maturity over three months	<u>\$ -</u>	<u>\$ 55,308</u>

A. Interest income from asset measured at amortised cost were recognized under interest income from bank deposits.

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$0 and \$55,308, respectively.

C. The Group has no financial assets at amortised cost pledged to others.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

### (3) Notes and accounts receivable, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 22,644	\$ 21,440
Less: Allowance for uncollectible accounts	( 9)	( 13)
	<u>\$ 22,635</u>	<u>\$ 21,427</u>
Accounts receivable	\$ 331,289	\$ 297,807
Less: Allowance for uncollectible accounts	( 7,661)	( 10,231)
	<u>\$ 323,628</u>	<u>\$ 287,576</u>



A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022		December 31, 2021	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 22,644	\$ 289,050	\$ 21,440	\$ 237,567
Past due:				
Up to 30 days	-	23,578	-	44,942
31 to 90 days	-	11,004	-	3,147
91 to 180 days	-	1,021	-	3,973
Over 181 days	-	6,636	-	8,178
	<u>\$ 22,644</u>	<u>\$ 331,289</u>	<u>\$ 21,440</u>	<u>\$ 297,807</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$327,900.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes and accounts receivable held by the Group was \$346,263 and \$309,003, respectively.

D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

#### (4) Inventories

A. Details of inventories are as follows:

	December 31, 2022		
		Allowance	
	Cost	for valuation loss	Book value
Raw materials	\$ 446,156	(\$ 51,196)	\$ 394,960
Work in progress	61,080	( 3,366)	57,714
Finished goods	254,162	( 29,226)	224,936
Materials in transit	6,000	-	6,000
	<u>\$ 767,398</u>	<u>(\$ 83,788)</u>	<u>\$ 683,610</u>
	December 31, 2021		
		Allowance	
	Cost	for valuation loss	Book value
Raw materials	\$ 395,972	(\$ 32,122)	\$ 363,850
Work in progress	80,574	( 6,952)	73,622
Finished goods	209,328	( 27,250)	182,078
	<u>\$ 685,874</u>	<u>(\$ 66,324)</u>	<u>\$ 619,550</u>

B. The cost of inventories recognised as expense for the period:

	Year ended December 31, 2022	Year ended December 31, 2021
Cost of goods sold	\$ 1,929,087	\$ 1,844,066
Recognised as marketing, research and development expenses	88,747	61,650
	<u>\$ 2,017,834</u>	<u>\$ 1,905,716</u>

The Group wrote down from cost of inventories to net realisable value and scrapping accounted for as cost of goods sold and government grant revenue in the amounts of \$26,154 and \$445 for the year ended December 31, 2022, respectively. The Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold in the amount of \$18,194 because the related inventory items were sold and wrote down cost of goods sold in the amount of \$2,480 because the government grant revenue was recognised for the year ended December 31, 2021.

C. The Group has no inventory pledged to others.

(5) Other current assets, others

	December 31, 2022	December 31, 2021
Lease agreement compensation receivable (Note)	\$ 27,777	\$ 31,711
Tax refund receivable	10,609	15,679
Others	<u>2,187</u>	<u>2,051</u>
	40,573	49,441
Less: Allowance for uncollectible accounts	( 13,222)	( 1,509)
	<u>\$ 27,351</u>	<u>\$ 47,932</u>

Note: As the lessor asked to terminate the lease contract of the plant in advance, the Group completed the return of the related leased plant and recognised gain arising from the related lease modification in August 2021, which was the uncollected remaining amount of the related compensation.

(6) Property, plant and equipment

	2022							
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction	Total
<u>At January 1</u>								
Cost	\$ 750,807	\$ 1,230,386	\$ 2,631,470	\$ 19,037	\$ 7,014	\$ 336,086	\$ 413,092	\$ 5,387,892
Accumulated depreciation	-	( 349,904)	( 1,972,047)	( 12,407)	( 5,904)	( 157,064)	-	( 2,497,326)
	<u>\$ 750,807</u>	<u>\$ 880,482</u>	<u>\$ 659,423</u>	<u>\$ 6,630</u>	<u>\$ 1,110</u>	<u>\$ 179,022</u>	<u>\$ 413,092</u>	<u>\$ 2,890,566</u>
Opening net book amount as at January 1	\$ 750,807	\$ 880,482	\$ 659,423	\$ 6,630	\$ 1,110	\$ 179,022	\$ 413,092	\$ 2,890,566
Additions	-	16,974	59,765	596	1,053	5,085	148,732	232,205
Disposals - cost	-	-	( 528)	( 930)	( 330)	-	-	( 1,788)
Transfer	-	456,756	128,850	-	-	4,292	( 341,242)	248,656
Depreciation charge	-	( 45,623)	( 112,506)	( 2,169)	( 598)	( 27,499)	-	( 188,395)
Disposals - accumulated depreciation	-	-	528	866	203	-	-	1,597
Effects of foreign exchange	-	( 1)	34	25	58	2	-	118
Closing net book amount as at December 31	<u>\$ 750,807</u>	<u>\$ 1,308,588</u>	<u>\$ 735,566</u>	<u>\$ 5,018</u>	<u>\$ 1,496</u>	<u>\$ 160,902</u>	<u>\$ 220,582</u>	<u>\$ 3,182,959</u>
<u>At December 31</u>								
Cost	\$ 750,807	\$ 1,704,130	\$ 2,819,612	\$ 18,777	\$ 7,948	\$ 345,471	\$ 220,582	\$ 5,867,327
Accumulated depreciation	-	( 395,542)	( 2,084,046)	( 13,759)	( 6,452)	( 184,569)	-	( 2,684,368)
	<u>\$ 750,807</u>	<u>\$ 1,308,588</u>	<u>\$ 735,566</u>	<u>\$ 5,018</u>	<u>\$ 1,496</u>	<u>\$ 160,902</u>	<u>\$ 220,582</u>	<u>\$ 3,182,959</u>

	2021							
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction	Total
<u>At January 1</u>								
Cost	\$ 750,807	\$ 1,202,992	\$ 2,539,495	\$ 19,207	\$ 7,301	\$ 250,644	\$ 131,625	\$ 4,902,071
Accumulated depreciation	-	( 313,448)	( 1,853,883)	( 11,881)	( 5,667)	( 133,709)	-	( 2,318,588)
	<u>\$ 750,807</u>	<u>\$ 889,544</u>	<u>\$ 685,612</u>	<u>\$ 7,326</u>	<u>\$ 1,634</u>	<u>\$ 116,935</u>	<u>\$ 131,625</u>	<u>\$ 2,583,483</u>
Opening net book amount as at January 1	\$ 750,807	\$ 889,544	\$ 685,612	\$ 7,326	\$ 1,634	\$ 116,935	\$ 131,625	\$ 2,583,483
Additions	-	7,668	38,313	2,139	49	21,910	160,588	230,667
Disposals - cost	-	-	( 3,009)	( 2,367)	( 283)	( 23)	-	( 5,682)
Transfer	-	19,711	56,617	30	-	63,552	120,879	260,789
Depreciation charge	-	( 36,443)	( 121,158)	( 2,464)	( 538)	( 23,376)	-	( 183,979)
Disposals - accumulated depreciation	-	-	3,009	1,957	276	22	-	5,264
Effects of foreign exchange	-	2	39	9	( 28)	2	-	24
Closing net book amount as at December 31	<u>\$ 750,807</u>	<u>\$ 880,482</u>	<u>\$ 659,423</u>	<u>\$ 6,630</u>	<u>\$ 1,110</u>	<u>\$ 179,022</u>	<u>\$ 413,092</u>	<u>\$ 2,890,566</u>
<u>At December 31</u>								
Cost	\$ 750,807	\$ 1,230,386	\$ 2,631,470	\$ 19,037	\$ 7,014	\$ 336,086	\$ 413,092	\$ 5,387,892
Accumulated depreciation	-	( 349,904)	( 1,972,047)	( 12,407)	( 5,904)	( 157,064)	-	( 2,497,326)
	<u>\$ 750,807</u>	<u>\$ 880,482</u>	<u>\$ 659,423</u>	<u>\$ 6,630</u>	<u>\$ 1,110</u>	<u>\$ 179,022</u>	<u>\$ 413,092</u>	<u>\$ 2,890,566</u>

A. The Group has no borrowing costs capitalised as part of property, plant and equipment for the years ended December 31, 2022 and 2021.

B. The significant components of buildings include main plants, partition and maintenance and repairment constructions, which are depreciated over 30 to 46 years and 2 to 16 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8, 'Pledged assets'.

D. Please refer to Note 9, for the details of significant contingent liabilities and unrecognised contract commitments.

(7) Leasing arrangements

A. Lessee

(a) The Group leases various assets including land, buildings, transportation equipment and other equipment. Rental contracts are made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(b) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 52,567	\$ 119,410
Buildings and structures	26,507	28,238
Transportation equipment	4,829	958
Other equipment	1,013	1,324
	<u>\$ 84,916</u>	<u>\$ 149,930</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,280	\$ 2,581
Buildings and structures	17,173	15,339
Transportation equipment	1,413	395
Other equipment	311	311
	<u>\$ 20,177</u>	<u>\$ 18,626</u>

(c) For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$5,192 and \$21,324, respectively. For the years ended December 31, 2022 and 2021, a decrease of \$50,436 and increase of \$1,438 in the right-of-use assets and lease liabilities was recognised due to the lease modification.

(d) Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,451	\$ 2,238
Expense on short-term lease contracts	1,275	1,237
Gain on lease modification (Note)	17	28,589

Note: As the lessor asked to terminate the lease contract of the plant in advance, the Group completed the return of the leased plant in August 2021. Gain arising from the lease modification was \$28,589. As of December 31, 2022, there was related compensation uncollected which was shown as other current assets, others.

(e) For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$24,373 and \$21,029, respectively.

(f) Extension and termination options

i. Extension options are included in the Group's lease contracts pertaining to land.

ii. In determining the lease term, the Group takes into consideration facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

#### B. Lessor

(a) The Group leases various assets including buildings. Rental contracts are made for periods of 4 and 8 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

(b) For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$9,527 and \$5,061, respectively, based on the operating lease agreement, which does not include variable lease payments.

#### (8) Intangible assets

2022					
	Opening net book amount as at January 1	Additions	Amortisation charge	Disposals	Closing net book amount as at December 31
Software	\$ 1,447	\$ -	(\$ 467)	\$ -	\$ 980
Trademarks	2,365	434	( 446)	-	2,353
Patents	4,649	52	( 360)	( 746)	3,595
	<u>\$ 8,461</u>	<u>\$ 486</u>	<u>(\$ 1,273)</u>	<u>(\$ 746)</u>	<u>\$ 6,928</u>
2021					
	Opening net book amount as at January 1	Additions	Amortisation charge	Effects of foreign exchange	Closing net book amount as at December 31
Software	\$ 2,042	\$ -	(\$ 594)	(\$ 1)	\$ 1,447
Trademarks	2,067	693	( 395)	-	2,365
Patents	5,012	-	( 363)	-	4,649
	<u>\$ 9,121</u>	<u>\$ 693</u>	<u>(\$ 1,352)</u>	<u>(\$ 1)</u>	<u>\$ 8,461</u>

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Selling expenses	\$ -	\$ 64
Administrative expenses	1,273	1,288
	<u>\$ 1,273</u>	<u>\$ 1,352</u>

B. The Group has no intangible assets pledged to others.

(9) Short-term borrowings

	December 31, 2022	December 31, 2021
Bank loan		
Secured borrowings	\$ 200,000	\$ -
Unsecured borrowings	100,000	-
	<u>\$ 300,000</u>	<u>\$ -</u>
Interest rate range	1.25%~1.375%	-

A. Interest expense recognised in profit or loss amounted to \$2,618 and \$1,217 for the years ended December 31, 2022 and 2021, respectively.

B. For the information of collaterals for short-term loan, please refer to Note 8, 'Pledged assets'.

(10) Other payables

	December 31, 2022	December 31, 2021
Salaries and bonus payable	\$ 102,699	\$ 97,194
Payable on machinery and equipment	7,156	20,973
Others	75,804	74,485
	<u>\$ 185,659</u>	<u>\$ 192,652</u>

(11) Long-term borrowings (including current portion)

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Unsecured borrowings	The borrowing term is from September 2019 to September 2029. Starting from October 2022, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125% (Note)	None	\$ 890,364
Unsecured borrowings	The borrowing term is from September 2019 to September 2024. Starting from October 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125% (Note)	None	115,423
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125% (Note)	None	90,932
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125%~1.225% (Note)	None	90,890
				<u>1,187,609</u>
Less: Current portion				( 355,824)
				<u>\$ 831,785</u>
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	The borrowing term is from June 2020 to June 2030. Starting from July 2023, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.00%	Land, buildings and structures	\$ 400,000
Unsecured borrowings	The borrowing term is from September 2019 to September 2029. Starting from October 2022, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50% (Note)	None	742,892
Unsecured borrowings	The borrowing term is from September 2019 to September 2024. Starting from October 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50% (Note)	None	181,391
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50% (Note)	None	140,329
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50%~0.60% (Note)	None	140,304
				<u>1,604,916</u>
Less: Current portion				( 204,051)
				<u>\$ 1,400,865</u>



Note: In accordance with the “Guidelines of Project Loans for Returning Overseas Taiwanese Businesses” of National Development Fund, Executive Yuan, the interest rate for the first 5 years of the loan is the 2-year term floating rate of postal savings interest rate less 0.245%~0.345%. If the requirements in the guidelines are not met during the loan period, the interest rate will be adjusted to the 2-year term floating rate of postal savings interest rate plus 0.155%~0.255%.

- A. Interest expense recognised in profit or loss amounted to \$18,043 and \$15,650 for the years ended December 31, 2022 and 2021, respectively.
- B. For the information of collaterals for long-term borrowings, please refer to Note 8, ‘Pledged assets’.
- C. The abovementioned borrowings which were related to government grants were recognised by the Group as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deferred revenue	\$ 307	\$ 227
(shown as other current liabilities)		
Long-term deferred revenue	<u>14,145</u>	<u>11,888</u>
	<u>\$ 14,452</u>	<u>\$ 12,115</u>

Please refer to Note 6(4) for the details of the recognition of government grant revenue.

- D. Details of the abovementioned borrowings which were repaid in advance were provided in Note 12(2) C.(c).

## (12) Pensions

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount at least 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. Shanghai Dintex Trading Co., Ltd. and Ding Li Polyurethane Co., Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

- C. DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED has a defined contribution pension plan. Monthly contributions to an independent fund administered by the local government in accordance with the social insurance regulations in the local government are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- D. DINGZING ADVANCED MATERIALS USA LLC has a 401K pension plan. Monthly contributions to an independent fund administered by the local government in accordance with the regulations are based on certain percentage of employees' monthly salaries and wages. Employees are responsible for their own profits and losses on the pension investment. Other than the monthly contributions, the Group has no further obligations.
- E. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were \$25,531 and \$23,898, respectively.

(13) Share-based payments

- A. The Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	May 6, 2022	506 thousand shares	NA	Vested immediately

The abovementioned share-based payment arrangements are equity-settled.

- B. The fair value of stock options granted on May 6, 2022 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Exercise price volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Cash capital increase reserved for employee preemption	2022.05.06	\$ 55.59	\$ 60.79	33.62% (note 1)	0.03 year	-	0.6% (note 2)	\$ -

Note 1: Expected price volatility rate was estimated by using the daily volatility in prior year at the evaluation basis date of similar companies.

Note 2: It was calculated based on the rate published by the central bank, which is an average annual time deposit rate of one-month and near to the evaluation basis date.

- C. Expenses arising from equity-settled share-based payments transactions were \$0 for the year ended December 31, 2022. There was no such transaction for the year ended December 31, 2021.

(14) Share capital

A. As of December 31, 2022, the Group's authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 9,000 thousand shares reserved for employee stock options), and the paid-in capital was \$692,430, consisting of 69,243 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Shares in thousands	
	2022	2021
At January 1	\$ 61,548	\$ 61,548
Cash capital increase	7,695	-
At December 31	\$ 69,243	\$ 61,548

B. In order to meet the need for underwriting before initial public offering, on March 8, 2022, the Board of Directors of the Company resolved to increase its capital by issuing new shares. The issuance was approved by the Taiwan Stock Exchange under No. 1111801437, dated April 11, 2022. The Company issued 7,695 million common stocks at an issue price of \$60.79 (in dollars) per share. The rights and obligations of shares issued at this capital increase are the same as the original common stocks. The total amount raised was \$467,761. The effective date of capital increase was on May 18, 2022 and the registration has been completed.

(15) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Please refer to Note 6(16) for details of dividends from capital surplus.

(16) Retained earnings

A. Under the Group's Articles of Incorporation adopted by the shareholders during their meeting, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After appropriating or reversing special reserve in accordance with related regulations, the remaining earnings along with beginning balance of unappropriated earnings are distributable net profit for stockholders, the appropriation

is proposed by the Board of Directors and to be approved at the stockholders' meeting.

When the Company appropriates special reserve in accordance with the laws, an equivalent amount of special reserve shall be set aside from the undistributed earnings of the prior year based on the cumulative decrease of equity and increased amount in fair value of investment property of the prior year. If it is insufficient to be set aside, the current post-tax profit plus the amount other than the current post-tax profit are included in the appropriation of the current unappropriated earnings.

The Company's dividend distribution policy is based on the Group's current and future investment environment, future capital requirements, global competition and capital budget, shareholders' benefits, balanced dividends and the Company's long-term financial plan. The principle of dividend distribution is at least 30% of 'distributable retained earnings for current year'. However, the Company may choose not to distribute dividends if 'distributable retained earnings for current year' is lower than 5% of paid-in capital. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders.

The aforementioned 'distributable retained earnings for current year' refers to the current year's earnings after paying all taxes, offsetting prior years' operating losses, setting aside legal reserve and appropriating or reversing special reserve in accordance with the regulation mentioned in paragraph A. The beginning balance of unappropriated earnings is not added.

The Board of Directors distributed all or part of the distributable dividends and bonus, capital surplus or legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and reported to the shareholders. The aforementioned regulation of requiring resolution from the shareholders is not applicable.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. On April 13, 2022, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2021 was \$207,731 at NT\$ 3.3751 (in dollars) per share. The resolutions had been reported to the shareholders on May 27, 2022. As the outstanding shares were affected by the cash capital increase before public offering, on May 27, 2022, the shareholders resolved to authorise the chairman to adjust the dividend rate. The total dividends for the distribution of earnings for the year of 2021 after the adjustment was unchanged and at NT\$ 3 (in dollars) per share. On April 14, 2021, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2020 was \$30,774 at NT\$ 0.5 (in dollars) per share and also resolved to distribute cash dividends of \$61,548 from capital surplus at NT\$1 (in dollars) per share. The resolutions had been reported to the shareholders on August 27, 2021.

E. On March 14, 2023, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2022 was \$207,729 at NT\$ 3 (in dollars) per share.

(17) Operating revenue

All of the Group's operating revenue are revenue from contracts with customers.

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

	Year ended December 31, 2022	Year ended December 31, 2021
Taiwan	\$ 358,015	\$ 421,254
Mainland China	1,064,287	1,303,827
U.S.A	597,024	141,501
Others	587,886	673,161
	<u>\$ 2,607,212</u>	<u>\$ 2,539,743</u>

B. Contract liabilities

(a) The Group has recognised the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Current contract liabilities	<u>\$ 10,777</u>	<u>\$ 45,206</u>	<u>\$ 48,726</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year amounted to \$45,206 and \$48,726 for the years ended December 31, 2022 and 2021, respectively.

(18) Interest income

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income from bank deposits	\$ 3,389	\$ 1,341
Interest income from financial assets measured at amortised cost	35	91
Other interest income	9	586
	<u>\$ 3,433</u>	<u>\$ 2,018</u>

(19) Other income

	Year ended December 31, 2022	Year ended December 31, 2021
Renewable energy electricity sales income	\$ 7,434	\$ 4,184
Rent income	9,527	5,061
Gain on lease modification (Note)	17	28,589
Grant and compensation income	131	4,029
Others	9,279	8,876
	<u>\$ 26,388</u>	<u>\$ 50,739</u>

Note: Please refer to Note 6(7) for the details of the transactions related to gain on lease modification.

(20) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Currency exchange gain (losses)	\$ 41,105	(\$ 5,087)
Gains (losses) on disposals of property, plant and equipment	5	( 84)
Impairment losses on other receivables	( 11,726)	-
Other losses	( 629)	( 1,449)
	<u>\$ 28,755</u>	<u>(\$ 6,620)</u>

(21) Finance costs

	Year ended December 31, 2022	Year ended December 31, 2021
Interest expense:		
Bank borrowings	\$ 20,661	\$ 16,867
Lease liability	1,451	2,238
Others	49	11
	<u>\$ 22,161</u>	<u>\$ 19,116</u>

(22) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Change in inventory of finished goods and work in process	(\$ 25,340)	(\$ 89,064)
Raw materials used	1,036,749	1,052,653
Employee benefit expense	595,225	574,005
Depreciation charges on property, plant and equipment	188,395	183,979
Depreciation charges on right-of-use assets	20,177	18,626
Amortisation charges on intangible assets	1,273	1,352
Utilities expense	111,750	99,116
Research and development material cost	83,842	50,807
Package fees	76,057	74,720
Insurance expense	58,459	54,673
Repairs and maintenance expense	37,424	40,445
Consumables	35,549	49,895
Processing fees	20,616	12,192
Operating leases expenses	1,275	1,237
Other expenses	66,690	84,934
Operating cost and operating expenses	<u>\$ 2,308,141</u>	<u>\$ 2,209,570</u>

(23) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 502,274	\$ 485,039
Labour and health insurance fees	46,548	44,216
Pension costs	25,531	23,898
Directors' remuneration	4,994	4,896
Other personnel expenses	15,878	15,956
	<u>\$ 595,225</u>	<u>\$ 574,005</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses.

Employees' compensation can be distributed in cash or shares and shall be distributed to the

employees who meet certain specific requirements.

- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$8,720 and \$7,367, respectively; directors' remuneration was accrued at \$3,389 and \$3,636, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated as 3% and 1%, respectively. Employees' compensation and directors' remuneration of 2022 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. The employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Components of income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the year	\$ 84,456	\$ 62,563
Prior year income tax over estimation	( 2,143)	( 20,897)
Total current tax	<u>82,313</u>	<u>41,666</u>
Deferred tax:		
Origination and reversal of temporary differences (	1,906)	35,282
Unrecognised tax losses in previous year are used for deducting the gains arising from current income tax expense	( 10,573)	-
Income tax expense	<u>\$ 69,834</u>	<u>\$ 76,948</u>



B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 73,951	\$ 76,627
Off-the-book adjusted items by tax regulation	( 6,853)	16,895
Taxable loss not recognised as deferred tax assets	624	3,168
Prior year income tax over estimation	( 2,143)	( 20,897)
Effect of different tax rates in countries in which the group operates	4,255	1,155
Income tax expense	<u>\$ 69,834</u>	<u>\$ 76,948</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets as a result of temporary difference and tax losses are as follows:

	Year ended December 31, 2022		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
— Temporary differences:			
Allowance for valuation loss	\$ 13,650	\$ 3,596	\$ 17,246
Tax difference of deferred sales revenue	2,391	137	2,528
Investment losses	( 346)	2,101	1,755
Estimated sales discounts and allowances	3,951	( 563)	3,388
Unrealised gain on inter-affiliate accounts	2,950	( 688)	2,262
Unused compensated absences	1,801	101	1,902
Loss allowance	2,487	( 595)	1,892
Others	( 538)	1,534	996
Tax losses	<u>6,913</u>	<u>( 3,717)</u>	<u>3,196</u>
	<u>\$ 33,259</u>	<u>\$ 1,906</u>	<u>\$ 35,165</u>

		Year ended December 31, 2021		
		Recognised in		
		January 1	profit or loss	December 31
Deferred tax assets:				
— Temporary differences:				
Allowance for valuation loss	\$	38,801	(\$ 25,151)	\$ 13,650
Tax difference of deferred sales revenue		5,653	( 3,262)	2,391
Investment losses		4,843	( 5,189)	( 346)
Estimated sales discounts and allowances		3,478	473	3,951
Unrealised gain on inter-affiliate accounts		2,168	782	2,950
Unused compensated absences		1,416	385	1,801
Loss allowance		555	1,932	2,487
Others		4,602	( 5,140)	( 538)
Tax losses		7,025	( 112)	6,913
	\$	68,541	(\$ 35,282)	\$ 33,259

D. Expiration dates and cash amounts of DINGZING ADVANCED MATERIALS USA, INC.'s unused tax losses are as follows:

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax	Expiry year
2020	Amount filed	\$ 1,390	\$ -	No expiry date
2021	Amount filed	10,403	-	No expiry date
		<u>\$ 11,793</u>	<u>\$ -</u>	
December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax	Expiry year
2019	Amount filed	\$ 26,369	\$ 1,369	No expiry date
2020	Amount filed	13,172	13,172	No expiry date
2021	Estimated filed amount	8,647	8,647	No expiry date
		<u>\$ 48,188</u>	<u>\$ 23,188</u>	

E. Expiration dates and cash amounts of DINGZING ADVANCED MATERIALS VIETNAM COMPANY's unused tax losses are as follows:

December 31, 2022				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax</u>	<u>Expiry year</u>
2018	Amount filed	\$ 1,418	\$ 1,418	2019~2023
2019	Amount filed	3,176	3,176	2020~2024
2020	Amount filed	2,977	2,977	2021~2025
2021	Amount filed	2,856	2,856	2022~2026
2022	Estimated filed amount	3,123	3,123	2023~2027
		<u>\$ 13,550</u>	<u>\$ 13,550</u>	
December 31, 2021				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax</u>	<u>Expiry year</u>
2018	Amount filed	\$ 1,418	\$ 1,418	2019~2023
2019	Amount filed	3,176	3,176	2020~2024
2020	Amount filed	2,977	2,977	2021~2025
2021	Estimated filed amount	2,872	2,872	2022~2026
		<u>\$ 10,443</u>	<u>\$ 10,443</u>	

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. The Group does not have any administrative remedy as of the reporting date.

(25) Earnings per share

	Year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$265,652</u>	<u>66,347</u>	<u>\$ 4.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	265,652	66,347	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	161	
	<u>\$265,652</u>	<u>66,508</u>	<u>\$ 3.99</u>

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$280,246</u>	<u>61,548</u>	<u>\$ 4.55</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	280,246	61,548	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>116</u>	
	<u>\$280,246</u>	<u>61,664</u>	<u>\$ 4.54</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2022	Year ended December 31, 2021
Increase in property, plant and equipment	\$ 232,205	\$ 230,667
Add: Opening balance of payable on equipment (Note)	20,973	12,738
Less: Ending balance of payable on equipment (Note)	( 7,156)	( 20,973)
	<u>\$ 246,022</u>	<u>\$ 222,432</u>
	Year ended December 31, 2022	Year ended December 31, 2021
'Prepayments for business facilities' reclassified as 'property, plant and equipment'	\$ 248,656	\$ 260,789
Less: Opening balance of prepayments for business facilities	( 63,215)	( 51,257)
Add: Ending balance of prepayments for business facilities	<u>9,253</u>	<u>63,215</u>
	<u>\$ 194,694</u>	<u>\$ 272,747</u>

Note: Payable on equipment was listed as 'other payables'.

B. Investing activities and financing activities with no cash flow effects

	Year ended December 31, 2022	Year ended December 31, 2021
Increase in right-of-use assets	\$ 5,192	\$ 21,324
Less: Increase in lease liabilities	( 5,192)	( 21,324)
	<u>\$ -</u>	<u>\$ -</u>
(Decrease) increase in lease liabilities due to remeasurement	(\$ 50,436)	\$ 1,438
Less: Decrease (increase) in right-of-use assets due to remeasurement	<u>50,436</u>	<u>( 1,438)</u>
	<u>\$ -</u>	<u>\$ -</u>
Current portion of long-term bank borrowings	<u>\$ 355,824</u>	<u>\$ 204,051</u>

(27) Changes in liabilities from financing activities

	2022				
	Changes in non-cash items				
	Changes in foreign				
	January 1	Cash flows	exchange rate	Others	December 31
Short-term borrowings	\$ -	\$ 300,000	\$ -	\$ -	\$ 300,000
Long-term borrowings (Note 1)	1,604,916	( 420,756)	-	3,449	1,187,609
Lease liability (Notes 2 and 3)	152,042	( 21,647)	1,091	( 45,869)	85,617
Guarantee deposits received	-	420	13	-	433
Liabilities from financing activities-gross	<u>\$ 1,756,958</u>	<u>(\$ 141,983)</u>	<u>\$ 1,104</u>	<u>(\$ 42,420)</u>	<u>\$ 1,573,659</u>
	2021				
	Changes in non-cash items				
	Changes in foreign				
	January 1	Cash flows	exchange rate	Others	December 31
Short-term borrowings	\$ 102,373	(\$ 102,359)	(\$ 14)	\$ -	\$ -
Long-term borrowings (Note 1)	1,522,185	85,168	-	( 2,437)	1,604,916
Lease liability (Notes 2 and 3)	<u>150,282</u>	<u>( 17,554)</u>	<u>( 122)</u>	<u>19,436</u>	<u>152,042</u>
Liabilities from financing activities-gross	<u>\$ 1,774,840</u>	<u>(\$ 34,745)</u>	<u>\$ 136)</u>	<u>\$ 16,999</u>	<u>\$ 1,756,958</u>

Note 1: Including current portion of long-term borrowings.

Note 2: Including current and non-current.

Note 3: Please refer to Note 6(26).

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Mitsubishi Corporation	Other related party

### (2) Significant related party transactions

#### A. Operating revenue

	<u>Year ended</u> <u>December 31, 2022</u>	<u>Year ended</u> <u>December 31, 2021</u>
Sales of goods:		
Mitsubishi Corporation	\$ <u>9,153</u>	\$ <u>7,634</u>

Goods are sold based on mutual agreements and the price lists in force and terms that would be available to third parties.

#### B. Purchases

	<u>Year ended</u> <u>December 31, 2022</u>	<u>Year ended</u> <u>December 31, 2021</u>
Purchases of goods:		
Mitsubishi Corporation	\$ <u>398,235</u>	\$ <u>512,570</u>

Goods are purchased from the related party on normal commercial terms and conditions based on the price lists in force and terms that would be available to third parties.

#### C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable		
Mitsubishi Corporation	\$ <u>1,484</u>	\$ <u>668</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 60 days after monthly billings. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

#### D. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable		
Mitsubishi Corporation	\$ <u>40,413</u>	\$ <u>55,683</u>

The payables to related parties arise mainly from purchase transactions and are due 60 days after monthly billings. The payables bear no interest.

(3) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 32,853	\$ 30,780
Post-employment benefits	191	249
	<u>\$ 33,044</u>	<u>\$ 31,029</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Land	\$ 750,807	\$ 750,807	Guarantee for credit line for short-term and long-term borrowings
Buildings and structures, net	1,308,588	880,481	Guarantee for credit line for short-term and long-term borrowings
Guarantee deposits paid	8,299	6,321	Performance guarantee
	<u>\$ 2,067,694</u>	<u>\$ 1,637,609</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2022 and 2021, the Group's secured notes payable due to borrowing from bank amounted to \$1,200,000 and \$1,500,000, respectively.

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 35,971</u>	<u>\$ 295,013</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2022 earnings as resolved by the Board of Directors of the Company on March 14, 2023 is provided in Note 6(16).

## 12. Other

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As the Group has met the capital requirement to expand and enhance plant and equipment, the Group's capital management is to ensure it has sufficient financial resource and operating plans to meet operational capital for future needs, capital expenditure, research and development expense, obligation repayment and dividend distribution within the next year.

The Group controls capital by using the debt ratio. The Group's strategy is to maintain a stable debt ratio. The debt ratio is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Debt ratio	<u>40%</u>	<u>47%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 473,773	\$ 382,515
Financial assets at amortised cost	-	55,308
Notes receivable	22,635	21,427
Accounts receivable	323,628	287,576
Other financial assets	487	579
Guarantee deposits paid	<u>8,299</u>	<u>6,321</u>
	<u>\$ 828,822</u>	<u>\$ 753,726</u>



	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 300,000	\$ -
Accounts payable (including related parties)	100,827	86,904
Other payables	185,659	192,652
Long-term borrowings		
(including current portion)	1,187,609	1,604,916
Guarantee deposits received	433	-
	<u>\$ 1,774,528</u>	<u>\$ 1,884,472</u>
Lease liability		
(including current and non-current)	<u>\$ 85,617</u>	<u>\$ 152,042</u>

#### B. Risk management policies

The Group's objective on market risk management are to achieve the optimal risk position, maintain an optimal level of liquidity and centralise risk management operations, with consideration of the economic environment, competitive status and market value risk. For risk management purpose, the Group mostly uses a natural hedge strategy.

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

##### (a) Market risk

##### Foreign exchange risk

- i. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other subsidiaries' functional currency: RMB; EUR, USD, and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,672	30.72	\$ 420,004
EUR:NTD	1,384	32.72	45,284
RMB:NTD	4,577	4.41	20,185
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,998	30.72	\$ 61,379
USD:RMB	1,264	6.97	38,852
December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,821	27.65	\$ 382,151
EUR:NTD	941	31.39	29,538
RMB:NTD	3,124	4.34	13,558
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,943	27.65	\$ 81,374
EUR:NTD	73	31.39	2,291
USD:RMB	1,473	6.37	40,722

- ii. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$41,105 and (\$5,087), respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	4,200	\$ -
EUR:NTD	1%		453	-
RMB:NTD	1%		202	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	614	\$ -
EUR:NTD	1%		-	-
USD:RMB	1%		389	-

Year ended December 31, 2021				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,822	\$ -
EUR:NTD	1%		295	-
RMB:NTD	1%		136	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	814	\$ -
EUR:NTD	1%		23	-
USD:RMB	1%		407	-

Price risk

The Group was not exposed to any significant price risk.

### Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings with floating rate which exposes the Group under cash flow interest rate risk. At December 31, 2022 and 2021, if interest rates had been 1% higher/lower with all other variables held constant, borrowing with floating rate for the years ended December 31, 2022 and 2021 would cause post-tax profit to be \$10,358 and \$12,577 lower/higher, respectively.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. In line with credit risk management, when the contract payments were past due within 180 days, the payments are within normal collection period. However, the default occurs when the contract payments are past due over 181 days.
- v. The Group applies the simplified approach to estimate the impairment losses of notes and accounts receivable under the provision matrix basis.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group's provision matrix used the forecastability of the economic condition in the next one year to adjust historical credit loss experience and the time value of money to assess the default possibility of notes and accounts receivable. The provision matrix is as follows:

	Not past due	Up to 90 days past due	91~180 days past due	Over 181 days past due
Expected loss rate	0.1%	3%	10%	100%

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
At January 1	\$ 10,244	\$ 2,432
Provision for impairment	( 2,711)	8,075
Write-offs	-	( 295)
Effect of exchange rate changes	137	32
At December 31	<u>\$ 7,670</u>	<u>\$ 10,244</u>

For the years ended December 31, 2022 and 2021, the impairment (losses) gains arising from customers' contracts amounts to \$2,711 and (\$8,075), respectively.

(c) Liquidity risk

- i. The Group's treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the expected maturity date. The contractual cash flow are not discounted.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Over 3 years
<u>December 31, 2022</u>			
Short-term borrowings	\$ 300,340	\$ -	\$ -
Accounts payable (including related parties)	100,827	-	-
Other payables	185,659	-	-
Lease liability (including current and non-current)	14,901	23,692	56,047
Long-term borrowings (including current portion)	366,934	525,027	340,843

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Over 3 years
<u>December 31, 2021</u>			
Accounts payable (including related parties)	\$ 86,904	\$ -	\$ -
Other payables	192,652	-	-
Lease liability (including current and non-current)	17,815	17,140	154,906
Long-term borrowings (including current portion)	213,475	721,307	823,606

Derivative financial liabilities:

As of December 31, 2022 and 2021, the Group has no derivative financial liabilities.

- iii. As of December 31, 2021, the principal of the borrowings which is due ‘between 1 and 3 years’ and ‘over 3 years’ amounted to \$400,000 (in addition, interest amounted to \$24,073). The Group has continually repaid principal and interest amounting to \$400,288 in advance on May, 2022. Except for the aforementioned, the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The carrying amounts of the Group’s financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other current financial assets, refundable deposits, short-term borrowings, notes payable, accounts payable (including related parties), other payables, lease liabilities (including current and non-current), long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

B. The Group has no financial and non-financial instruments that were measured at fair value.

(4) Other matter

Due to Covid-19 pandemic and various prevention measures imposed by the government, the Group has followed the measures and regulations announced by the government to reduce the risk of personal contact and cross-infection. The Covid-19 pandemic had no significant impact on the Group's overall operations and financial condition.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 2.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

#### (4) Major Shareholders information

Major shareholders information: Please refer to table 9.

### 14. SEGMENT INFORMATION

#### (1) Measurement of general and segment information

The Group primarily engages in the manufacture, development and sales of high-tech polyurethane (Thermoplastic Polyurethane, abbreviation: "TPU"). The Chief Operating Decision-Maker considers the Group as one reportable operating segment, and allocates resources and assesses performance of the Group as a whole. Because the measuring information used is the same as the

financial statements, the income, assets and liability of operating segments are not disclosed.

(2) Information on products and services

The Group's external revenue are all derived from sales of high-tech polyurethane.

The Group primarily engages in the manufacture, development and sales of high-tech polyurethane (Thermoplastic Polyurethane, abbreviation: "TPU"). The Chief Operating Decision-Maker considers the Group as one reportable operating segment, and allocates resources and assesses performance of the Group as a whole. Because the measuring information used is the same as the financial statements, the income, assets and liability of operating segments are not disclosed.

(3) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue (Note)</u>	<u>Non-current assets</u>	<u>Revenue (Note)</u>	<u>Non-current assets</u>
China	\$ 1,064,287	\$ 23,153	\$ 1,303,827	\$ 20,235
Taiwan	358,015	3,257,786	421,254	3,080,265
U.S.A	597,024	1,685	141,501	8,234
Others	587,886	1,432	673,161	3,438
	<u>\$ 2,607,212</u>	<u>\$ 3,284,056</u>	<u>\$ 2,539,743</u>	<u>\$ 3,112,172</u>

Note: Revenue was classified based on the country the customer is located.

(4) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follow:

	<u>Year ended December 31</u>			
	<u>2022</u>		<u>2021</u>	
<u>Clients</u>	<u>Revenue</u>	<u>Percentage of total sales</u>	<u>Revenue</u>	<u>Percentage of total sales</u>
Client P	<u>\$ 345,596</u>	13.26%	<u>\$ 7,765</u>	0.31%



Dingzing Advanced Materials Incorporated  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/guarantor	Limit on endorsements/		Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of asset value of the endorser/guarantor guarantor company	Ceiling on total amount	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
					guarantees provided for a single party ( Note 2 )	Maximum outstanding endorsement/guarantee amount as of December 31, 2022									
0	Dingzing Advanced Materials Incorporated	Dingzing Advanced Materials USA LLC		Note 1	\$ 1,182,389	\$ 31,803	\$ 31,803	\$ 629	\$ -	1.08%	1,477,987	Y	N	N	Note 3

Note 1: The Company owned directly or indirectly 50% shares with voting rights of the endorsed/guaranteed party.

Note 2: In accordance with the Company’s “Regulations Governing Endorsements and Guarantees to Others”, the endosed/guaranteed amount provided to individual entity shall not exceed 40% of net assets disclosed on the Company’s latest financial statements whereas the total endosed/guaranteed amount provided to others shall not exceed 50% of net assets disclosed on the Group’s consolidated financial statements.

Note 3: The actual amount drawn down was converted into NTD with the exchange rate of US\$1 to NT\$30.72 at the balance sheet date.

Dingzing Advanced Materials Incorporated  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

<p style="text-align: center;">If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:</p>													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Dingzing Advanced Materials Incorporated	Buildings and structures	2020/9/23	\$ 146,470	Note 1	Ren Bao Construction Company Limited.	None	N/A	N/A	N/A	N/A	Price comparison, and negotiation	Business production	-
Dingzing Advanced Materials Incorporated	Buildings and structures	2021/2/2	264,500	Note 2	Ren Bao Construction Company Limited.	None	N/A	N/A	N/A	N/A	Price comparison, and negotiation	Business production	-

Note 1: The Board of Directors during its meeting on April 13, 2018 resolved the plant establishment plan. Additionally, on September 23, 2020, the Company obtained a use permit in May 2022 and the payment was reclassified to buildings and structures after inspection.

Note 2: The Board of Directors during its meeting on April 13, 2018 resolved the plant establishment plan. Additionally, on February 2, 2021, the Company obtained a use permit in September 2022 and the payment was reclassified to buildings and structures after inspection.

Dingzing Advanced Materials Incorporated  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions				
			Transaction								
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Dingzing Advanced Materials Incorporated	DINGZING ADVANCED MATERIALS USA LLC	Subsidiary	(Sales)	(\$ 441,703)	(18%)	Based on mutual agreement	Note	Note	\$ 156,343	43%	
Dingzing Advanced Materials Incorporated	Ding Li Polyurethane Co., Ltd.	Subsidiary	(Sales)	( 387,081)	(16%)	Based on mutual agreement	Note	Note	15,569	4%	
Dingzing Advanced Materials Incorporated	Shanghai Dintex Trading Co., Ltd	Subsidiary	(Sales)	( 159,488)	(6%)	Based on mutual agreement	Note	Note	23,258	6%	
Dingzing Advanced Materials Incorporated	Mitsubishi Corporation	Other related party	Purchases	398,235	35%	Based on mutual agreement	Note	Note	( 40,413)	(40%)	
Ding Li Polyurethane Co., Ltd.	Dingzing Advanced Materials Incorporated	Parent company	Purchases	387,081	99%	Based on mutual agreement	Note	Note	( 15,569)	(100%)	
Shanghai Dintex Trading Co., Ltd	Dingzing Advanced Materials Incorporated	Parent company	Purchases	159,488	85%	Based on mutual agreement	Note	Note	( 23,258)	(93%)	
DINGZING ADVANCED MATERIALS USA LLC	Dingzing Advanced Materials Incorporated	Parent company	Purchases	441,703	100%	Based on mutual agreement	Note	Note	( 156,343)	(100%)	

Note: Based on mutual agreement, terms of related party transactions are not different from third-party transactions.

Dingzing Advanced Materials Incorporated  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2022

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Dingzing Advanced Materials Incorporated	DINGZING ADVANCED MATERIALS USA LLC	Subsidiary	\$ 156,343	4.99	\$ -	-	\$ 66,367	-

Dingzing Advanced Materials Incorporated  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 5  
Significant inter-company transactions reaching NTD 10 million are listed and disclosed as described in Note 2 as follows, counterparty transactions will not be disclosed again.

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Dingzing Advanced Materials Incorporated	Dingzing Advanced Materials USA LLC	1	Sale	\$ 441,703	Based on mutual agreement	17.00%
0	"	Ding Li Polyurethane Co., Ltd.	1	Sale	387,081	Based on mutual agreement	15.00%
0	"	Shanghai Dintex Trading Co., Ltd.	1	Sale	159,488	Based on mutual agreement	6.00%
0	"	Dingzing Advanced Materials USA LLC	1	Account receivable to related parties	156,343	Based on mutual agreement	3.00%
0	"	Shanghai Dintex Trading Co., Ltd.	1	Account receivable to related parties	23,258	Based on mutual agreement	-
0	"	Ding Li Polyurethane Co., Ltd.	1	Account receivable to related parties	15,569	Based on mutual agreement	-
0	"	Ding Li Polyurethane Co., Ltd.	1	Other receivable	15,872	Based on mutual agreement	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.)

- (1)Parent company to subsidiary;
- (2)Subsidiary to parent company;
- (3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

## Dingzing Advanced Materials Incorporated

## Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment income(loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				December 31, 2022	December 31, 2021				the year ended	for the year ended	
									December 31, 2022	December 31, 2022	
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS INCORPORATED	Cayman	Reinvests in various businesses	\$ 89,738	\$ 89,738	3,000,000	100	\$ 75,966	\$ 36,676	\$ 36,676	
DINGZING ADVANCED MATERIALS INCORPORATED	DING ZING POLYURETHANE EUROPE B.V.	Netherlands	Marketing	787	787	-	100	16,695	820	820	Note 1
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	Vietnam	Marketing	18,910	15,598	-	100	3,886 (	3,123) (	3,123)	Note 1
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS USA, INC.	U.S.A.	Reinvests in various businesses	89,738	89,738	100	100	76,035	36,675	-	Note 2
DINGZING ADVANCED MATERIALS USA, INC.	DINGZING ADVANCED MATERIALS USA LLC	U.S.A.	Marketing	89,738	89,738	-	100	74,946	43,051	-	Notes 1 and 2

Note 1: Shares have not yet been issued and therefore not applicable.

Note 2:The investee accounted for using equity method was included in the profit or loss of the Company and investment income (loss) was calculated and recognised by the Company.

Dingzing Advanced Materials Incorporated  
Information on investments in Mainland China  
Year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
Ding Li Polyurethane Co., Ltd.	Sale of high-tech polyurethane relative products	\$ 91,746	Note 1	\$ 91,746	\$ - \$ -	\$ 91,746	(\$ 8,153)	100	(\$ 8,153)	\$ 77,444	\$ 17,800	Note 2
Shanghai Dintex Trading Co., Ltd	Sale of high-tech polyurethane relative products	58,712	Note1	70,455	- -	70,455	( 1,079)	100	( 1,079)	65,962	17,848	Note 2
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)									
Dingzing Advanced Materials Incorporated	\$ 162,201	\$ 162,201	\$ 1,773,584									

Note1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

1. Directly invest in a company in Mainland China
2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
3. Through investing in an existing company in the Mainland China, which then invested in the investee in Mainland China.

Note 2: The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' in the financial statements are audited and attested by R.O.C. parent company's CPA.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Dingzing Advanced Materials Incorporated  
Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area  
Year ended December 31, 2022

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Provision of										
	Accounts receivable		endorsements/guarantees		Financing						
	Sale (purchase)	(payable)	or collaterals								
	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Other
Ding Li Polyurethane Co., Ltd.	\$ 387,081	16%	\$ 15,569	4%	\$ -	-	\$ -	\$ -	-	\$ -	-
Shanghai Dintex Trading Co., Ltd	159,488	6%	23,258	6%	-	-	-	-	-	-	-



Dingzing Advanced Materials Incorporated  
Major shareholders information  
December 31, 2022

Table 9

Creditor	Number of shares held	Shares	Ownership (%)
Ding-ER Investments Co., Ltd.		20,097,300	29.02%
Ding-YU Investments Co., Ltd.		18,557,000	26.79%
Lin, Hsin-Tai		5,734,600	8.28%
SANLIN Investment Ltd. Account in Trust by Mega International Commercial		4,208,000	6.07%

**DINGZING ADVANCED MATERIALS  
INCORPORATED  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITORS’  
REPORT  
DECEMBER 31, 2022 AND 2021**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000501

To the Board of Directors and Stockholders of Dingzing Advanced Materials Incorporated

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Dingzing Advanced Materials Incorporated (the “Company”) as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

### **Appropriateness of sales revenue cut-off**

#### Description

Please refer to Note 4(24) for the accounting policies on revenue recognition.

All of the Company's operating revenue are revenue from contracts with customers. The revenue is recognised when the control of the products has transferred and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Given that a manual process and judgments are involved in the process of transferring the control of the products and fulfilling the contracts, it raises concern about whether the revenue accrued near the financial period-end was recognised in an appropriate manner. Hence, the sales revenue cut-off is identified as a key audit matter.

#### How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Obtained an understanding, assessed and tested whether the internal controls of the sales recognition process is effectively designed and implemented.
2. Verified if the revenue is recognised in an appropriate manner by testing transactions conducted during a certain period of time immediately prior to and after the financial period end, agreeing documentation required for revenue recognition and determining the cut-off based on the terms of sales.

## **Allowance for inventory valuation loss**

### Description

Please refer to Note 4(10) for the accounting policies on inventory valuation, Note 5 for uncertainty of accounting estimates and assumption on inventory evaluation; and Note 6(4) for the details of the inventories.

The inventories are stated at the lower of cost and net realisable value. The net realisable value is subject to management judgement when individually identifying the excess or damaged inventories among numerous items. Thus, the allowance for valuation loss is identified as a key audit matter given the estimate uncertainty.

### How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on our understanding of the Company's businesses and industry, assessed that the policies are reasonable relating to the allowance for inventory valuation loss, including policies associated with scrapped or sold inventories, judgement on excess or obsolete items and the consistency of policies on estimates.
2. Verified whether the reports are consistent with the Company's accounting policy, agreed with scrapped or sold inventories by sampling the individual items of inventories and assessed whether the allowance for inventory valuation loss is appropriate.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

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

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

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

### ***Auditors' responsibilities for the audit of the parent company only financial statements***

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

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

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

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

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

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

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WANG, CHUN-KAI

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Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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

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



DINGZING ADVANCED MATERIALS INCORPORATED  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 248,441	5	\$ 217,078	5
1136	Current financial assets at amortised cost	6(2)	-	-	55,308	1
1150	Notes receivable, net	6(3)	8,967	-	12,565	-
1170	Accounts receivable, net	6(3)	161,257	3	228,789	5
1180	Accounts receivable - related parties, net	6(3) and 7	196,654	4	62,247	1
1210	Other receivables - related parties	7	15,872	1	-	-
130X	Inventories	6(4)	636,683	13	569,313	13
1410	Prepayments		66,745	2	30,315	1
1476	Other current financial assets		487	-	577	-
1479	Other current assets, others		10,331	-	15,300	-
11XX	Current Assets		1,345,437	28	1,191,492	26
Non-current assets						
1550	Investments measured by equity method	6(5)	239,953	5	234,632	5
1600	Property, plant and equipment	6(6) and 8	3,180,177	65	2,887,222	64
1755	Right-of-use assets	6(7)	61,429	1	121,367	3
1780	Intangible assets	6(8)	6,928	-	8,461	-
1840	Deferred income tax assets	6(23)	27,739	1	22,225	1
1915	Prepayments for business facilities		9,253	-	63,215	1
1920	Guarantee deposits paid	8	6,521	-	4,709	-
15XX	Non-current assets		3,532,000	72	3,341,831	74
1XXX	Total assets		\$ 4,877,437	100	\$ 4,533,323	100

(Continued)

**DINGZING ADVANCED MATERIALS INCORPORATED**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Liabilities						
Current liabilities						
2100	Short-term borrowings	6(9) and 8	\$ 300,000	6	\$ -	-
2130	Current contract liabilities	6(17)	6,329	-	38,048	1
2170	Accounts payable		60,414	1	31,187	1
2180	Accounts payable to related parties	7	40,413	1	55,683	1
2200	Other payables	6(10) and 7	164,189	3	168,757	4
2230	Current income tax liabilities		67,309	2	57,065	1
2280	Current lease liabilities		5,570	-	2,965	-
2320	Long-term liabilities, current portion	6(11) and 8	355,824	7	204,051	5
2399	Other current liabilities, others	6(11)	19,814	1	21,940	-
21XX	Current Liabilities		1,019,862	21	579,696	13
Non-current liabilities						
2540	Long-term borrowings	6(11) and 8	831,785	17	1,400,865	31
2580	Non-current lease liabilities		55,671	1	119,660	3
2630	Long-term deferred revenue	6(11)	14,145	-	11,888	-
25XX	Non-current liabilities		901,601	18	1,532,413	34
2XXX	Total Liabilities		1,921,463	39	2,112,109	47
Equity						
	Share capital	6(13)(14)				
3110	Share capital - common stock		692,430	14	615,480	14
	Capital surplus	6(15)				
3200	Capital surplus		585,400	12	194,589	4
	Retained earnings	6(16)				
3310	Legal reserve		222,005	5	193,981	4
3320	Special reserve		20,672	-	19,273	-
3350	Unappropriated retained earnings		1,447,061	30	1,418,563	31
	Other equity interest					
3400	Other equity interest		( 11,594)	-	( 20,672)	-
3XXX	Total equity		2,955,974	61	2,421,214	53
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 4,877,437	100	\$ 4,533,323	100

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

DINGZING ADVANCED MATERIALS INCORPORATED  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2022		2021	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(17) and 7		\$ 2,473,159	100	\$ 2,485,879	100
5000 Operating costs	6(4)(21)(22) and 7		( 1,922,161)	( 78)	( 1,877,857)	( 76)
5900 Net operating margin			550,998	22	608,022	24
5910 Unrealized profit (loss) from sales	6(5)		3,438	-	( 3,909)	-
5950 Net operating margin, net Operating expenses	6(4)(8)(21)(22) and 7		554,436	22	604,113	24
6100 Selling expenses			( 106,093)	( 4)	( 119,333)	( 5)
6200 General & administrative expenses			( 81,396)	( 3)	( 74,367)	( 3)
6300 Research and development expenses			( 107,233)	( 5)	( 73,559)	( 3)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		945	-	( 709)	-
6000 Total operating expenses			( 293,777)	( 12)	( 267,968)	( 11)
6900 Operating profit			260,659	10	336,145	13
Non-operating income and expenses						
7100 Interest income			2,580	-	986	-
7010 Other income	6(18)		14,734	1	14,225	1
7020 Other gains and losses	6(19)		47,126	2	( 6,355)	-
7050 Finance costs	6(7)(9)(11)(20)		( 21,409)	( 1)	( 18,340)	( 1)
7070 Share of profit of subsidiaries and associates accounted for using equity method	6(5)		25,141	1	25,943	1
7000 Total non-operating income and expenses			68,172	3	16,459	1
7900 Profit before income tax			328,831	13	352,604	14
7950 Income tax expense	6(23)		( 63,179)	( 2)	( 72,358)	( 3)
8200 Profit for the year			\$ 265,652	11	\$ 280,246	11
Other comprehensive income						
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Other comprehensive income (loss), before tax, exchange differences on translation	6(5)		\$ 9,078	-	( \$ 1,399)	-
8300 Other comprehensive income (loss) for the year, net of tax			\$ 9,078	-	( \$ 1,399)	-
8500 Total comprehensive income for the year			\$ 274,730	11	\$ 278,847	11
Basic earnings per share	6(24)					
9750 Total basic earnings per share			\$ 4.00		\$ 4.55	
9850 Total diluted earnings per share			\$ 3.99		\$ 4.54	

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

**DINGZING ADVANCED MATERIALS INCORPORATED**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

			Retained Earnings				Financial statements translation differences of foreign operations	
	Notes	Share capital - common stock	Capital surplus- additional paid- in capital	Legal reserve	Special reserve	Unappropriated retained earnings		Total equity
<u>Year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 615,480	\$ 256,137	\$ 187,733	\$ 17,895	\$ 1,176,717	(\$ 19,273)	\$ 2,234,689
Profit for the year		-	-	-	-	280,246	-	280,246
Other comprehensive loss	6(5)	-	-	-	-	-	( 1,399)	( 1,399)
Total comprehensive income (loss)		-	-	-	-	280,246	( 1,399)	278,847
Appropriation 2020 earnings:								
Legal reserve appropriated		-	-	6,248	-	( 6,248)	-	-
Special reserve		-	-	-	1,378	( 1,378)	-	-
Cash dividends	6(16)	-	-	-	-	( 30,774)	-	( 30,774)
Cash dividends from capital surplus	6(16)	-	( 61,548)	-	-	-	-	( 61,548)
Balance at December 31, 2021		<u>\$ 615,480</u>	<u>\$ 194,589</u>	<u>\$ 193,981</u>	<u>\$ 19,273</u>	<u>\$ 1,418,563</u>	<u>(\$ 20,672)</u>	<u>\$ 2,421,214</u>
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 615,480	\$ 194,589	\$ 193,981	\$ 19,273	\$ 1,418,563	(\$ 20,672)	\$ 2,421,214
Profit for the year		-	-	-	-	265,652	-	265,652
Other comprehensive income	6(5)	-	-	-	-	-	9,078	9,078
Total comprehensive income		-	-	-	-	265,652	9,078	274,730
Appropriation 2021 earnings:								
Legal reserve appropriated		-	-	28,024	-	( 28,024)	-	-
Special reserve		-	-	-	1,399	( 1,399)	-	-
Cash dividends	6(16)	-	-	-	-	( 207,731)	-	( 207,731)
Issuance of shares	6(13)(14)	76,950	390,811	-	-	-	-	467,761
Balance at December 31, 2022		<u>\$ 692,430</u>	<u>\$ 585,400</u>	<u>\$ 222,005</u>	<u>\$ 20,672</u>	<u>\$ 1,447,061</u>	<u>(\$ 11,594)</u>	<u>\$ 2,955,974</u>

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

DINGZING ADVANCED MATERIALS INCORPORATED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 328,831	\$ 352,604
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss	12(2)	( 945 )	709
Depreciation expense	6(6)(7)(21)	190,438	186,212
Amortization expense	6(8)(21)	1,273	1,224
Interest income		( 2,580 )	( 986 )
Interest expense	6(20)	21,409	18,340
Government grant revenue (shown as deduction on operationg costs)	6(4)	( 445 )	( 2,480 )
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	6(5)	( 25,141 )	( 25,943 )
Gain on disposal of property, plant and equipment	6(19)	( 42 )	( 96 )
Loss on disposal of intangible assets	6(8)	746	-
Unrealised profit (loss) from sales	6(5)	( 3,438 )	3,909
Unrealised exchange (gains) losses		1,890	( 21,703 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		3,602	807
Accounts receivable		68,116	( 3,023 )
Accounts receivable - related parties		( 136,903 )	( 48,428 )
Inventories		( 67,370 )	( 246,213 )
Prepayments		( 36,430 )	( 9,014 )
Other current financial assets		-	( 371 )
Other current assets, other		4,969	( 2,100 )
Changes in operating liabilities			
Current contract liabilities		( 31,719 )	18,237
Accounts payable		29,287	( 15,495 )
Accounts payable to related parties		( 15,202 )	( 39,487 )
Other payable		8,737	27,660
Other current liabilities, others		( 2,990 )	( 413 )
Cash inflow generated from operations		336,093	193,950
Dividends received		16,063	-
Interest received		2,670	1,016
Interest paid		( 14,692 )	( 13,567 )
Income tax paid		( 54,884 )	( 11,808 )
Net cash flows from operating activities		285,250	169,591

(Continued)

DINGZING ADVANCED MATERIALS INCORPORATED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		\$ -	(\$ 55,308 )
Disposal of financial assets at amortised cost		55,308	-
Acquisition of investments accounted for using the equity method	6(5)	( 3,312 )	( 28,803 )
Acquisition of property, plant and equipment	6(25)	( 245,326 )	( 221,536 )
Increase in prepayments for business facilities	6(25)	( 194,694 )	( 272,747 )
Proceeds from disposal of property, plant and equipment		42	96
Acquisition of intangible assets	6(8)	( 486 )	( 693 )
Increase in guarantee deposits paid		( 1,812 )	( 2,727 )
Net cash flows used in investing activities		( 390,280 )	( 581,718 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(26)	1,300,000	800,000
Repayments from short-term borrowings	6(26)	( 1,000,000 )	( 900,000 )
Proceeds from long-term borrowings	6(26)	193,200	483,500
Repayments of long-term borrowings	6(26)	( 613,956 )	( 398,332 )
Payments of lease liabilities	6(26)	( 4,674 )	( 2,988 )
Cash dividends paid (cash dividends from capital surplus)	6(16)	( 207,731 )	( 92,322 )
Proceeds from issuance of shares	6(14)	467,761	-
Net cash flows from (used in) financing activities		134,600	( 110,142 )
Effect of exchange rate changes on cash and cash equivalents		1,793	25,276
Net increase (decrease) in cash and cash equivalents		31,363	( 496,993 )
Cash and cash equivalents at beginning of year	6(1)	217,078	714,071
Cash and cash equivalents at end of year	6(1)	\$ 248,441	\$ 217,078

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

DINGZING ADVANCED MATERIALS INCORPORATED  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE  
INDICATED)

1. HISTORY AND ORGANISATION

(1) Dingzing Advanced Materials Incorporated (the “Company”) was established in February 1981, formerly named Dingzing Chemical Products Co., Ltd. and renamed in May 2015 for business operation. The Company is primarily engaged in manufacture and sale of high-tech polyurethane (Thermoplastic Polyurethane, hereinafter “TPU”), wholesale of chemical raw materials and international trade.

(2) The Company has been a listed company since May 20, 2022.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 14, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effects as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts — cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018 – 2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.



(1) Compliance statement

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

(2) Basis of preparation

- A. The parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that were obtained within three months, and meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for under the equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to effect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

- D. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 ~ 46 years
Machinery and equipment	3 ~ 21 years
Transportation equipment	3 ~ 10 years
Office equipment	4 ~ 10 years
Leasehold assets	10 years
Other equipment	5 ~ 16 years

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

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

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

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate; and
- (c) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

#### (14) Intangible assets

##### A. Trademarks

Trademarks and licences that are separately acquired at cost, have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 2 to 10 years.

##### B. Software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

##### C. Patents

Patents are stated at cost and amortised on a straight-line basis over their estimated useful life of 9 to 20 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Employee benefits

A. Salaries and other short-term employee benefits

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

B. Pensions

Defined contribution plans

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

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

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

#### (20) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

#### (21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

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

(24) Revenue recognition

- A. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. Accumulated experience is used to estimate and provide for the volume discounts and sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts and sales rebate payable to customers (shown as other current liabilities, others) in relation to sales made until the end of the reporting period.

As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.



(25) Government grants

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$636,683.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 1,090	\$ 1,656
Checking accounts and demand deposits	<u>247,351</u>	<u>215,422</u>
	<u>\$ 248,441</u>	<u>\$ 217,078</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits with maturity over three months	\$ -	\$ 55,308

A. Interest income from financial assets measured at amortised cost were recognized under interest income from bank deposits.

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$0 and \$55,308, respectively.

C. The Company has no financial assets at amortised cost pledged to others.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes receivable	\$ 8,976	\$ 12,578
Less: Allowance for uncollectible accounts	( 9)	( 13)
	<u>\$ 8,967</u>	<u>\$ 12,565</u>
Accounts receivable	\$ 161,770	\$ 230,243
Less: Allowance for uncollectible accounts	( 513)	( 1,454)
	<u>\$ 161,257</u>	<u>\$ 228,789</u>
Accounts receivable - related parties	<u>\$ 196,654</u>	<u>\$ 62,247</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022		December 31, 2021	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 8,976	\$ 348,635	\$ 12,578	\$ 254,811
Past due:				
Up to 30 days	-	4,871	-	37,057
31 to 90 days	-	3,939	-	503
91 to 180 days	-	979	-	-
Over 181 days	-	-	-	119
	<u>\$ 8,976</u>	<u>\$ 358,424</u>	<u>\$ 12,578</u>	<u>\$ 292,490</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$252,733.

C. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes and accounts receivable held by the Company was \$366,878 and \$303,601, respectively.

D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(4) Inventories

A. Details of inventories are as follows:

	December 31, 2022		
	Cost	Allowance	
		for valuation loss	Book value
Raw materials	\$ 446,156	(\$ 51,196)	\$ 394,960
Work in progress	61,080	( 3,366)	57,714
Finished goods	197,465	( 19,456)	178,009
Materials in transit	6,000	-	6,000
	<u>\$ 710,701</u>	<u>(\$ 74,018)</u>	<u>\$ 636,683</u>
	December 31, 2021		
	Cost	Allowance	
		for valuation loss	Book value
Raw materials	\$ 395,972	(\$ 32,122)	\$ 363,850
Work in progress	80,574	( 6,952)	73,622
Finished goods	151,384	( 19,543)	131,841
	<u>\$ 627,930</u>	<u>(\$ 58,617)</u>	<u>\$ 569,313</u>

B. The cost of inventories recognised as expense for the period:

	Year ended	Year ended
	December 31, 2022	December 31, 2021
Cost of goods sold	\$ 1,922,161	\$ 1,877,857
Recognised as marketing, research and development expenses	87,628	55,330
	<u>\$ 2,009,789</u>	<u>\$ 1,933,187</u>

The Company wrote down from cost of inventories to net realisable value and scrapping accounted for as cost of goods sold and government grant revenue in the amounts of \$24,901 and \$445 for the year ended December 31, 2022, respectively. The Company reversed a previous inventory write-down and accounted for as reduction of cost of goods sold in the amount of \$12,168 because the related inventory items were sold and wrote down cost of goods sold in the amount of \$2,480 because the government grant revenue was recognised for the year ended December 31, 2021.

C. The Company has no inventory pledged to others.

(5) Investments accounted for using equity method

A. Details of investments accounted for under equity method are as follows:

	2022	2021
At January 1	\$ 234,632	\$ 185,194
Addition of investments accounted for using equity method	3,312	28,803
Share of profit or loss of investments accounted for using equity method	25,141	25,943
Earnings distribution of investments accounted for using equity method	( 35,648)	-
Net unrealised profit (loss) from sales on downstream transactions	3,438	( 3,909)
Changes in other equity interest	9,078	( 1,399)
At December 31	<u>\$ 239,953</u>	<u>\$ 234,632</u>

Investee Companies	December 31, 2022	December 31, 2021
Subsidiaries:		
DING LI POLYURETHANE CO., LTD.	\$ 77,444	\$ 98,201
SHANGHAI DINTEX TRADING CO., LTD.	65,962	83,235
DINGZING ADVANCED MATERIALS INCORPORATED	75,966	34,430
DING ZING POLYURETHANE EUROPE B.V.(Note)	16,695	15,198
DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	3,886	3,568
	<u>\$ 239,953</u>	<u>\$ 234,632</u>

Note: On September 7, 2022, the Board of Directors approved the dissolution and liquidation. The related procedures are still in process.

B. Share of profit or loss of subsidiaries accounted for using equity method:

	Year ended December 31, 2022	Year ended December 31, 2021
DING LI POLYURETHANE CO., LTD.	(\$ 8,153)	\$ 23,609
SHANGHAI DINTEX TRADING CO., LTD.	( 1,079)	13,503
DINGZING ADVANCED MATERIALS INCORPORATED	36,676 (	9,132)
DING ZING POLYURETHANE EUROPE B.V.(Note)	820	835
DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	( 3,123)	( 2,872)
	<u>\$ 25,141</u>	<u>\$ 25,943</u>

For the years ended December 31, 2022 and 2021, there were sales to subsidiaries resulting in (unrealised) realised gross profit from sales on downstream as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Beginning unrealised gross profit from sales which were realised during the year	\$ 14,750	\$ 10,841
Ending unrealised gross profit from sales	( 11,312)	( 14,750)
	<u>\$ 3,438</u>	<u>(\$ 3,909)</u>

C. Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information relating to the subsidiaries of the Company.

(6) Property, plant and equipment

	2022							
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction	Total
<u>At January 1</u>								
Cost	\$ 750,807	\$ 1,230,186	\$ 2,630,760	\$ 14,194	\$ 3,838	\$ 335,540	\$ 413,092	\$ 5,378,417
Accumulated depreciation	-	( 349,705)	( 1,971,800)	( 9,178)	( 3,838)	( 156,674)	-	( 2,491,195)
	<u>\$ 750,807</u>	<u>\$ 880,481</u>	<u>\$ 658,960</u>	<u>\$ 5,016</u>	<u>\$ -</u>	<u>\$ 178,866</u>	<u>\$ 413,092</u>	<u>\$ 2,887,222</u>
Opening net book amount as at January 1	\$ 750,807	\$ 880,481	\$ 658,960	\$ 5,016	\$ -	\$ 178,866	\$ 413,092	\$ 2,887,222
Additions	-	16,974	59,766	-	952	5,085	148,732	231,509
Disposals - cost	-	-	( 528)	-	-	-	-	( 528)
Reclassifications	-	456,756	128,851	-	-	4,291	( 341,242)	248,656
Depreciation charge	-	( 45,623)	( 112,412)	( 1,678)	( 40)	( 27,457)	-	( 187,210)
Disposals - accumulated depreciation	-	-	528	-	-	-	-	528
Closing net book amount as at December 31	<u>\$ 750,807</u>	<u>\$ 1,308,588</u>	<u>\$ 735,165</u>	<u>\$ 3,338</u>	<u>\$ 912</u>	<u>\$ 160,785</u>	<u>\$ 220,582</u>	<u>\$ 3,180,177</u>
<u>At December 31</u>								
Cost	\$ 750,807	\$ 1,703,916	\$ 2,818,849	\$ 14,194	\$ 4,790	\$ 344,916	\$ 220,582	\$ 5,858,054
Accumulated depreciation	-	( 395,328)	( 2,083,684)	( 10,856)	( 3,878)	( 184,131)	-	( 2,677,877)
	<u>\$ 750,807</u>	<u>\$ 1,308,588</u>	<u>\$ 735,165</u>	<u>\$ 3,338</u>	<u>\$ 912</u>	<u>\$ 160,785</u>	<u>\$ 220,582</u>	<u>\$ 3,180,177</u>

	2021							
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction	Total
<u>At January 1</u>								
Cost	\$ 750,807	\$ 1,202,807	\$ 2,538,840	\$ 13,942	\$ 3,968	\$ 250,078	\$ 131,625	\$ 4,892,067
Accumulated depreciation	-	( 313,294)	( 1,853,738)	( 8,437)	( 3,968)	( 133,340)	-	( 2,312,777)
	<u>\$ 750,807</u>	<u>\$ 889,513</u>	<u>\$ 685,102</u>	<u>\$ 5,505</u>	<u>\$ -</u>	<u>\$ 116,738</u>	<u>\$ 131,625</u>	<u>\$ 2,579,290</u>
Opening net book amount as at January 1	\$ 750,807	\$ 889,513	\$ 685,102	\$ 5,505	\$ -	\$ 116,738	\$ 131,625	\$ 2,579,290
Additions	-	7,668	38,313	1,292	-	21,910	160,588	229,771
Disposals - cost	-	-	( 3,010)	( 1,070)	( 130)	-	-	( 4,210)
Reclassifications	-	19,711	56,617	30	-	63,552	120,879	260,789
Depreciation charge	-	( 36,411)	( 121,072)	( 1,811)	-	( 23,334)	-	( 182,628)
Disposals - accumulated depreciation	-	-	3,010	1,070	130	-	-	4,210
Closing net book amount as at December 31	<u>\$ 750,807</u>	<u>\$ 880,481</u>	<u>\$ 658,960</u>	<u>\$ 5,016</u>	<u>\$ -</u>	<u>\$ 178,866</u>	<u>\$ 413,092</u>	<u>\$ 2,887,222</u>
<u>At December 31</u>								
Cost	\$ 750,807	\$ 1,230,186	\$ 2,630,760	\$ 14,194	\$ 3,838	\$ 335,540	\$ 413,092	\$ 5,378,417
Accumulated depreciation	-	( 349,705)	( 1,971,800)	( 9,178)	( 3,838)	( 156,674)	-	( 2,491,195)
	<u>\$ 750,807</u>	<u>\$ 880,481</u>	<u>\$ 658,960</u>	<u>\$ 5,016</u>	<u>\$ -</u>	<u>\$ 178,866</u>	<u>\$ 413,092</u>	<u>\$ 2,887,222</u>

A. The Company has no borrowing costs capitalised as part of property, plant and equipment for the years ended December 31, 2022 and 2021.

B. The significant components of buildings include main plants, partition and maintenance and repairment constructions, which are depreciated over 30 to 46 years and 2 to 16 years, respectively.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8, 'Pledged assets'.

D. Please refer to Note 9, for the details of significant contingent liabilities and unrecognised contract commitments.

(7) Leasing arrangements

A. Lessee

(a) The Company leases various assets including land, buildings, transportation equipment and other equipment. Rental contracts are made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(b) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 52,567	\$ 119,410
Buildings and structures	3,593	633
Transportation equipment	4,256	-
Other equipment	1,013	1,324
	<u>\$ 61,429</u>	<u>\$ 121,367</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,280	\$ 2,581
Buildings and structures	701	692
Transportation equipment	936	-
Other equipment	311	311
	<u>\$ 3,228</u>	<u>\$ 3,584</u>

(c) For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$5,192 and \$0, respectively. For the year ended December 31, 2022, a decrease of \$61,902 in the right-of-use assets and lease liabilities was recognised due to the lease modification. There was no such transaction for the year ended December 31, 2021.

(d) Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 748	\$ 1,473
Expense on short-term lease contracts	1,198	1,153

(e) For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$6,620 and \$5,614, respectively.



(f) Extension and termination options

- i. Extension options are included in the Company's lease contracts pertaining to land.
- ii. In determining the lease term, the Company takes into consideration facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Intangible assets

2022					
	Opening net book amount as at January 1	Additions	Amortisation charge	Disposals	Closing net book amount as at December 31
Software	\$ 1,447	\$ -	(\$ 466)	\$ -	\$ 981
Trademarks	2,365	434	( 447)	-	2,352
Patents	4,649	52	( 360)	( 746)	3,595
	<u>\$ 8,461</u>	<u>\$ 486</u>	<u>(\$ 1,273)</u>	<u>(\$ 746)</u>	<u>\$ 6,928</u>

2021					
	Opening net book amount as at January 1	Additions	Amortisation charge		Closing net book amount as at December 31
Software	\$ 1,913	\$ -	(\$ 466)	\$	1,447
Trademarks	2,067	693	( 395)		2,365
Patents	5,012	-	( 363)		4,649
	<u>\$ 8,992</u>	<u>\$ 693</u>	<u>(\$ 1,224)</u>	<u>\$</u>	<u>8,461</u>

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Administrative expenses	<u>\$ 1,273</u>	<u>\$ 1,224</u>

B. The Company has no intangible assets pledged to others.

(9) Short-term borrowings

	December 31, 2022	December 31, 2021
Bank loan		
Secured borrowings	\$ 200,000	\$ -
Unsecured borrowings	100,000	-
	<u>\$ 300,000</u>	<u>\$ -</u>
Interest rate range	<u>1.25%~1.375%</u>	<u>-</u>

A. Interest expense recognised in profit or loss amounted to \$2,618 and \$1,217 for the years ended December 31, 2022 and 2021, respectively.

B. For the information of collaterals for short-term loan, please refer to Note 8, 'Pledged assets'.

(10) Other payables

	December 31, 2022	December 31, 2021
Salaries and bonus payable	\$ 97,196	\$ 90,522
Payable on machinery and equipment	7,156	20,973
Others	59,837	57,262
	<u>\$ 164,189</u>	<u>\$ 168,757</u>

(11) Long-term borrowings (including current portion)

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Unsecured borrowings	The borrowing term is from September 2019 to September 2029. Starting from October 2022, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125% (Note)	None	\$ 890,364
Unsecured borrowings	The borrowing term is from September 2019 to September 2024. Starting from October 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125% (Note)	None	115,423
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125% (Note)	None	90,932
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.125%~ 1.225% (Note)	None	90,890
				<u>1,187,609</u>
Less: Current portion				( 355,824)
				<u>\$ 831,785</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	The borrowing term is from June 2020 to June 2030. Starting from July 2023, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	1.00%	Land, buildings and structures	\$ 400,000
Unsecured borrowings	The borrowing term is from September 2019 to September 2029. Starting from October 2022, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50% (Note)	None	742,892
Unsecured borrowings	The borrowing term is from September 2019 to September 2024. Starting from October 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50% (Note)	None	181,391
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50% (Note)	None	140,329
Unsecured borrowings	The borrowing term is from October 2019 to October 2024. Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	0.50%~0.60% (Note)	None	140,304
				<u>1,604,916</u>
Less: Current portion				( 204,051)
				<u>\$ 1,400,865</u>

Note: In accordance with the “Guidelines of Project Loans for Returning Overseas Taiwanese Businesses” of National Development Fund, Executive Yuan, the interest rate for the first 5 years of the loan is the 2-year term floating rate of postal saving interest rate less 0.245%~0.345%. If the requirements in the guidelines are not met during the loan period, the interest rate will be adjusted to the 2-year term floating rate of postal saving interest rate plus 0.155%~0.255%.

A. Interest expense recognised in profit or loss amounted to \$18,043 and \$15,650 for the years ended December 31, 2022 and 2021, respectively.

B. For the information of collaterals for long-term borrowings, please refer to Note 8, ‘Pledged assets’.

C. The abovementioned borrowings which were related to government grants were recognised by the Company as follows:

	December 31, 2022	December 31, 2021
Deferred revenue	\$ 307	\$ 227
(shown as other current liabilities, others)		
Long-term deferred revenue	14,145	11,888
	\$ 14,452	\$ 12,115

Please refer to Note 6(4) for the details of the recognition of government grant revenue.

D. Details of the abovementioned borrowings which were repaid in advance were provided in Note 12(2)C.(c).

## (12) Pensions

Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount at least 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the company for the years ended December 31, 2022 and 2021 were \$22,895 and \$21,659, respectively.

## (13) Share-based payments

A. The Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	May 6, 2022	506 thousand shares	NA	Vested immediately

The abovementioned share-based payment arrangements are equity-settled.

- B. The fair value of stock options granted on May 6, 2022 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Exercise price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2022.05.06	\$ 55.59	\$ 60.79	33.62% (note1)	0.03 years	-	0.6% (note2)	\$ -

Note 1: Expected price volatility rate was estimated by using the daily volatility in prior year at the evaluation basis date of similar companies.

Note 2: It was calculated based on the rate published by the central bank, which is an average annual time deposit rate of one-month and near to the evaluation basis date.

- F. Expenses arising from equity-settled share-based payments transactions were \$0 for the year ended December 31, 2022. There was no such transaction for the year ended December 31, 2021.

#### (14) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 9,000 thousand shares reserved for employee stock options), and the paid-in capital was \$692,430, consisting of 69,243 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2022	2021
At January 1	\$ 61,548	\$ 61,548
Cash capital increase	7,695	-
At December 31	\$ 69,243	\$ 61,548

- B. In order to meet the need for underwriting before initial public offering, on March 8, 2022, the Board of Directors of the Company resolved to increase its capital by issuing new shares. The issuance was approved by the Taiwan Stock Exchange under No. 1111801437, dated April 11, 2022. The Company issued 7,695 million common stocks at an issue price of \$60.79 (in dollars) per share. The rights and obligations of shares issued at this capital increase are the same as the original common stocks. The total amount raised was \$467,761. The effective date of capital increase was on May 18, 2022 and the registration has been completed.

(15) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. Please refer to Note 6(16) for details of dividends from capital surplus.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation adopted by the shareholders during their meeting, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After appropriating or reversing special reserve in accordance with related regulations, the remaining earnings along with beginning balance of unappropriated earnings are distributable net profit for stockholders, the appropriation is proposed by the Board of Directors and to be approved at the stockholders' meeting.

When the Company appropriates special reserve in accordance with the laws, an equivalent amount of special reserve shall be set aside from the undistributed earnings of the prior year based on the cumulative decrease of equity and increased amount in fair value of investment property of the prior year. If it is insufficient to be set aside, the current post-tax profit plus the amount other than the current post-tax profit are included in the appropriation of the current unappropriated earnings.

The Company's dividend distribution policy is based on the Company's current and future investment environment, future capital requirements, global competition and capital budget, shareholders' benefits, balanced dividends and the Company's long-term financial plan. The principle of dividend distribution is at least 30% of 'distributable retained earnings for current year'. However, the Company may choose not to distribute dividends if 'distributable retained earnings for current year' is lower than 5% of paid-in capital. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders.

The aforementioned 'distributable retained earnings for current year' refers to the current year's earnings after paying all taxes, offsetting prior years' operating losses, setting aside legal reserve and appropriating or reversing special reserve in accordance with the regulation mentioned in paragraph A. The beginning balance of unappropriated earnings is not added.

The Board of Directors distributed all or part of the distributable dividends and bonus, capital surplus or legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and reported to the shareholders. The aforementioned regulation of requiring resolution from the shareholders is not applicable.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. On April 13, 2022, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2021 was \$207,731 at NT\$ 3.3751 (in dollars) per share. The resolutions had been reported to the shareholders on May 27, 2022. As the outstanding shares were affected by the cash capital increase before public offering, on May 27, 2022, the shareholders resolved to authorise the chairman to adjust the dividend rate. The total dividends for the distribution of earnings for the year of 2021 after the adjustment was unchanged and at NT\$ 3 (in dollars) per share. On April 14, 2021, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2020 was \$30,774 at NT\$ 0.5 (in dollars) per share and also resolved to distribute cash dividends of \$61,548 from capital surplus at NT\$1 (in dollars) per share. The resolutions had been reported to the shareholders on August 27, 2021.
- E. On March 14, 2023, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2022 was \$207,729 at NT\$ 3 (in dollars) per share.

(17) Operating revenue

All of the Company's operating revenue are revenue from contracts with customers.

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following geographical regions:

	Year ended December 31, 2022	Year ended December 31, 2021
Taiwan	\$ 358,015	\$ 421,254
Mainland China	999,431	1,258,575
U.S.A	527,944	167,518
Others	587,769	638,532
	<u>\$ 2,473,159</u>	<u>\$ 2,485,879</u>

## B. Contract liabilities

(a) The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Current contract liabilities	\$ <u>6,329</u>	\$ <u>38,048</u>	\$ <u>19,811</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year amounted to \$38,048 and \$19,811 for the years ended December 31, 2022 and 2021, respectively.

### (18) Other income

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Renewable energy electricity sales income	\$ 7,434	\$ 4,184
Grant and compensation income	131	1,670
Gains on write-off past due payable	-	2,777
Others	7,169	5,594
	<u>\$ 14,734</u>	<u>\$ 14,225</u>

### (19) Other gains and losses

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Currency exchange gains (losses)	\$ 47,250	(\$ 6,451)
Gains on disposals of property, plant and equipment	42	96
Others	(166)	-
	<u>\$ 47,126</u>	<u>(\$ 6,355)</u>

### (20) Finance costs

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Interest expense:		
Bank borrowings	\$ 20,661	\$ 16,867
Lease liability	748	1,473
	<u>\$ 21,409</u>	<u>\$ 18,340</u>

(21) Expenses by nature

	Year ended December 31, 2022	Year ended December 31, 2021
Change in inventory of finished goods and work in process	(\$ 26,587)	(\$ 60,581)
Raw materials used	1,036,749	1,052,653
Employee benefit expense	547,543	527,101
Depreciation charges on property, plant and equipment	187,210	182,628
Depreciation charges on right-of-use assets	3,228	3,584
Amortisation charges on intangible assets	1,273	1,224
Utilities expense	110,931	98,285
Research and development material cost	83,842	50,807
Package fees	75,781	74,393
Insurance expense	50,529	47,771
Repairs and maintenance expense	37,277	40,228
Consumables	35,549	49,895
Processing fees	20,616	12,192
Operating leases expenses	1,198	1,153
Other expenses	50,799	64,492
Operating cost and operating expenses	<u>\$ 2,215,938</u>	<u>\$ 2,145,825</u>

(22) Employee benefit expense

	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries	\$ 460,486	\$ 443,536
Labour and health insurance fees	44,822	42,676
Pension costs	22,895	21,659
Directors' remuneration	4,994	4,896
Other personnel expenses	14,346	14,334
	<u>\$ 547,543</u>	<u>\$ 527,101</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses.

Employees' compensation can be distributed in cash or shares and shall be distributed to the employees who meet certain specific requirements.



- B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$8,720 and \$7,367, respectively; directors' remuneration was accrued at \$3,389 and \$3,636, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, the employees' compensation and directors' remuneration were estimated as 3% and 1%, respectively. Employees' compensation and directors' remuneration of 2022 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. The employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Components of income tax expense

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the year	\$ 71,135	\$ 57,161
Prior year income tax over estimation	( 2,442)	( 20,316)
Total current tax	<u>68,693</u>	<u>36,845</u>
Deferred tax:		
Origination and reversal of temporary differences	( 5,514)	35,513
Income tax expense	<u>\$ 63,179</u>	<u>\$ 72,358</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	\$ 65,766	\$ 70,521
Off-the-book adjusted items by tax regulation	( 145)	22,153
Prior year income tax over estimation	( 2,442)	( 20,316)
Income tax expense	<u>\$ 63,179</u>	<u>\$ 72,358</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

		Year ended December 31, 2022		
		Recognised in		
		January 1	profit or loss	December 31
Temporary differences:				
— Deferred tax assets:				
Allowance for valuation loss	\$	11,723	\$ 3,081	\$ 14,804
Tax difference of deferred sales revenue		2,391	137	2,528
Investment losses	(	346)	2,101	1,755
Estimated sales discounts and allowances		3,951	( 563)	3,388
Unrealised gain on inter-affiliate accounts		2,950	( 688)	2,262
Unused compensated absences		1,801	101	1,902
Loss allowance		293	( 189)	104
Others	(	538)	1,534	996
	\$	<u>22,225</u>	\$ <u>5,514</u>	\$ <u>27,739</u>

		Year ended December 31, 2021		
		Recognised in		
		January 1	profit or loss	December 31
Temporary differences:				
— Deferred tax assets:				
Allowance for valuation loss	\$	35,369	(\$ 23,646)	\$ 11,723
Tax difference of deferred sales revenue		5,653	( 3,262)	2,391
Investment losses		4,843	( 5,189)	( 346)
Estimated sales discounts and allowances		3,478	473	3,951
Unrealised gain on inter-affiliate accounts		2,168	782	2,950
Unused compensated absences		1,416	385	1,801
Loss allowance		211	82	293
Others		4,600	( 5,138)	( 538)
	\$	<u>57,738</u>	(\$ <u>35,513</u> )	\$ <u>22,225</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of the reporting date.

(24) Earnings per share

	Year ended December 31, 2022		
	Amount	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$265,652</u>	<u>66,347</u>	<u>\$ 4.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	265,652	66,347	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>161</u>	
	<u>\$265,652</u>	<u>66,508</u>	<u>\$ 3.99</u>
	Year ended December 31, 2021		
	Amount	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$280,246</u>	<u>61,548</u>	<u>\$ 4.55</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	280,246	61,548	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>116</u>	
	<u>\$280,246</u>	<u>61,664</u>	<u>\$ 4.54</u>

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2022	Year ended December 31, 2021
Increase in property, plant and equipment	\$ 231,509	\$ 229,771
Add: Opening balance of payable on equipment (Note)	20,973	12,738
Less: Ending balance of payable on equipment (Note)	( 7,156)	( 20,973)
	<u>\$ 245,326</u>	<u>\$ 221,536</u>
	Year ended December 31, 2022	Year ended December 31, 2021
‘Prepayments for business facilities’ reclassified as ‘Property, plant and equipment’	\$ 248,656	\$ 260,789
Less: Opening balance of prepayments for business facilities	( 63,215)	( 51,257)
Add: Ending balance of prepayments for business facilities	9,253	63,215
	<u>\$ 194,694</u>	<u>\$ 272,747</u>

Note : Payable on equipment was listed as ‘other payables’.

B. Investing activities and financing activities with no cash flow effects

	Year ended December 31, 2022	Year ended December 31, 2021
Increase in right-of-use assets	\$ 5,192	\$ -
Less: Increase in lease liabilities	( 5,192)	-
	<u>\$ -</u>	<u>\$ -</u>
Decrease in lease liabilities due to remeasurement	(\$ 61,902)	\$ -
Less: Decrease in right-of-use assets due to remeasurement	61,902	-
	<u>\$ -</u>	<u>\$ -</u>
Current portion of long-term bank borrowings	<u>\$ 355,824</u>	<u>\$ 204,051</u>

(26) Changes in liabilities from financing activities

2022					
	January 1	Cash flows	Changes in non-cash items		
			Changes in foreign		
			exchange rate	Others	December 31
Short-term borrowings	\$ -	\$ 300,000	\$ -	\$ -	\$ 300,000
Long-term borrowings (Note 1)	1,604,916	( 420,756)	-	3,449	1,187,609
Lease liability (Notes 2 and 3)	122,625	( 4,674)	-	( 56,710)	61,241
Liabilities from financing activities-gross	<u>\$ 1,727,541</u>	<u>(\$ 125,430)</u>	<u>\$ -</u>	<u>(\$ 53,261)</u>	<u>\$ 1,548,850</u>
2021					
	January 1	Cash flows	Changes in non-cash items		
			Changes in foreign		
			exchange rate	Others	December 31
Short-term borrowings	\$ 100,000	(\$ 100,000)	\$ -	\$ -	\$ -
Long-term borrowings (Note 1)	1,522,185	85,168	-	( 2,437)	1,604,916
Lease liability (Notes 2 and 3)	125,613	( 2,988)	-	-	122,625
Liabilities from financing activities-gross	<u>\$ 1,747,798</u>	<u>(\$ 17,820)</u>	<u>\$ -</u>	<u>(\$ 2,437)</u>	<u>\$ 1,727,541</u>

Note 1: Including current portion of long-term borrowings.

Note 2: Including current and non-current.

Note 3: Please refer to Note 6(25).

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
DING ZING POLYURETHANE EUROPE B.V.	Subsidiary of the Company
Shanghai Dintex Trading Co., Ltd.	Subsidiary of the Company
Ding Li Polyurethane Co., Ltd.	Subsidiary of the Company
DINGZING ADVANCED MATERIALS INCORPORATED	Subsidiary of the Company
DINGZING ADVANCED MATERIALS USA, INC.	Subsidiary of the Company
DINGZING ADVANCED MATERIALS USA LLC	Subsidiary of the Company
DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	Subsidiary of the Company
Mitsubishi Corporation	Other related parties

(2) Significant related party transactions

A. Operating revenue

	Year ended <u>December 31, 2022</u>	Year ended <u>December 31, 2021</u>
Sales of goods:		
Subsidiary		
DINGZING ADVANCED MATERIALS USA LLC	\$ 441,703	\$ 26,017
Ding Li Polyurethane Co., Ltd.	387,081	425,001
Shanghai Dintex Trading Co., Ltd.	159,488	209,194
DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	33	-
Other related party		
Mitsubishi Corporation	9,153	7,634
	<u>\$ 997,458</u>	<u>\$ 667,846</u>

The transaction prices of goods sold to subsidiaries are determined based on the market prices in the location where subsidiaries located in and the collection term is 180 days after monthly billings; while the transaction prices of goods sold to other relative parties are based on mutual agreements and the collection term is 60 days after monthly billings, which would be available to third parties.

B. Purchases

	Year ended <u>December 31, 2022</u>	Year ended <u>December 31, 2021</u>
Purchases of goods:		
Other related party		
Mitsubishi Corporation	\$ 398,235	\$ 512,570
Purchases of services (commission expense):		
Subsidiary		
DING ZING POLYURETHANE EUROPE B.V.	6,376	9,758
	<u>\$ 404,611</u>	<u>\$ 522,328</u>

Goods are purchased from the related party on normal commercial terms and conditions based on the price lists in force and terms that would be available to third parties, the payment terms is due 60 days after monthly billings. Commission expense based on mutual agreement, the payment terms is due 90 days after monthly billings.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable		
Subsidiary		
DINGZING ADVANCED MATERIALS		
USA LLC	\$ 156,343	\$ 20,853
Shanghai Dintex Trading Co., Ltd.	23,258	28,983
Ding Li Polyurethane Co., Ltd.	15,569	11,743
Other related party		
Mitsubishi Corporation	1,484	668
	<u>\$ 196,654</u>	<u>\$ 62,247</u>
Other receivables		
Subsidiary		
Ding Li Polyurethane Co., Ltd.	15,872	-
	<u>\$ 212,526</u>	<u>\$ 62,247</u>

The receivables from related parties arise mainly from sale transactions. The receivables are due 60~180 days after monthly billings. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties. Other receivables due from related parties were cash dividends declared by the subsidiary.

D. Payables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable		
Other related party		
Mitsubishi Corporation	\$ 40,413	\$ 55,683
Other payables		
Subsidiary		
DING ZING POLYURETHANE EUROPE	-	2,306
B.V.		
	<u>\$ 40,413</u>	<u>\$ 57,989</u>

The payables to related parties arise mainly from purchase transactions and commission expense and are due 60 days after monthly billings. The payables bear no interest.

E. Endorsements and guarantees provided, to related parties

Provision of endorsements and guarantees to the lease contract from USA subsidiary:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
DINGZING ADVANCED MATERIALS		
USA LLC	\$ 31,803	\$ 31,803

## F. Other

For the year ended December 31, 2022, the Company recognized the dividend from Shanghai Dintex Trading Co., Ltd. and Ding Li Polyurethane Co., Ltd. amounting to \$17,848 and \$17,800, respectively. There was no such transaction for the year ended December 31, 2021.

### (3) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and other short-term employee benefits	\$ 14,668	\$ 15,361
Post-employment benefits	191	249
	<u>\$ 14,859</u>	<u>\$ 15,610</u>

## 8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Land	\$ 750,807	\$ 750,807	Guarantee for credit line for short-term and long-term borrowings
Buildings and structures, net	1,308,588	880,481	Guarantee for credit line for short-term and long-term borrowings
Guarantee deposits paid	6,521	4,709	Performance guarantee
	<u>\$ 2,065,916</u>	<u>\$ 1,635,997</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

None.

### (2) Commitments

A. As of December 31, 2022 and 2021, the Company's secured notes payable due to borrowing from bank amounted to \$1,200,000 and \$1,500,000, respectively.

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 35,971</u>	<u>\$ 295,013</u>

## 10. SIGNIFICANT DISASTER LOSS

None.



## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of earnings for 2022 was resolved by the Board of Directors on March 14, 2023. Details are provided in Note 6(16).

## 12. Other

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As the Company has met the capital requirement to expand and enhance plant and equipment, the Company's capital management is to ensure it has sufficient financial resource and operating plans to meet operational capital for future needs, capital expenditure, research and development expense, obligation repayment and dividend distribution within the next year.

The Company controls capital by using the debt ratio. The Company's strategy is to maintain a stable debt ratio. The debt ratio is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Debt ratio	<u>39%</u>	<u>47%</u>

### (2) Financial instruments

#### A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 248,441	\$ 217,078
Financial assets at amortised cost	-	55,308
Notes receivable	8,967	12,565
Accounts receivable (including related parties)	357,911	291,036
Other receivable-related parties	15,872	-
Other financial assets	487	577
Guarantee deposits paid	<u>6,521</u>	<u>4,709</u>
	<u>\$ 638,199</u>	<u>\$ 581,273</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 300,000	\$ -
Accounts payable (including related parties)	100,827	86,870
Other payables	164,189	168,757
Long-term borrowings (including current portion)	<u>1,187,609</u>	<u>1,604,916</u>
	<u>\$ 1,752,625</u>	<u>\$ 1,860,543</u>
Lease liability (including current and non-current)	<u>\$ 61,241</u>	<u>\$ 122,625</u>

#### B. Risk management policies

The Company's objective on market risk management are to achieve the optimal risk position, maintain an optimal level of liquidity and centralise risk management operations, with consideration of the economic environment, competitive status and market value risk. For risk management purpose, the Company mostly uses a natural hedge strategy.

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

##### (a) Market risk

##### Foreign exchange risk

- i. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,672	30.72	\$ 420,004
EUR:NTD	1,384	32.72	45,284
RMB:NTD	4,577	4.41	20,185
<u>Non-monetary items</u>			
RMB:NTD	35,078	4.41	154,694
EUR:NTD	510	32.72	16,687
USD:NTD	2,475	30.72	76,032
VND:NTD	3,004,351	0.0013	3,906
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,998	30.72	\$ 61,379
December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,821	27.65	\$ 382,151
EUR:NTD	941	31.39	29,538
RMB:NTD	3,124	4.34	13,558
<u>Non-monetary items</u>			
RMB:NTD	45,562	4.34	197,739
EUR:NTD	484	31.39	15,193
USD:NTD	1,245	27.65	34,424
VND:NTD	2,963,266	0.0012	3,556
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,943	27.65	\$ 81,374
EUR:NTD	73	31.39	2,291

- ii. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$47,250 and (\$6,451), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	4,200	\$ -
EUR:NTD	1%		453	-
RMB:NTD	1%		202	-
<u>Non-monetary items</u>				
RMB:NTD	1%		-	1,547
EUR:NTD	1%		-	167
USD:NTD	1%		-	760
VND:NTD	1%		-	39
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	614	\$ -

Year ended December 31, 2021				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	3,822	\$ -
EUR:NTD	1%		295	-
RMB:NTD	1%		136	-
<u>Non-monetary items</u>				
RMB:NTD	1%		-	1,977
EUR:NTD	1%		-	152
USD:NTD	1%		-	344
VND:NTD	1%		-	36
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	814	\$ -
EUR:NTD	1%		23	-

#### Price risk

The Company was not exposed to any significant price risk.

#### Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term and long-term borrowings with floating rate which exposes the Company under cash flow interest rate risk. At December 31, 2022 and 2021, if interest rates had been 1% higher/lower with all other variables held constant, borrowing with floating rate for the years ended December 31, 2022 and 2021 would cause post-tax profit to be \$10,358 and \$12,577 lower/higher, respectively.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

- ii. The Company manages their credit risk taking into consideration the entire group's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. In line with credit risk management, when the contract payments were past due within 180 days, the payments are within normal collection period. However, the default occurs when the contract payments are past due over 181 days.
- v. The Company applies the simplified approach to estimate the impairment losses of notes and accounts receivable under the provision matrix basis.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- vii. The Company's provision matrix used the forecastability of the economic condition in the next one year to adjust historical credit loss experience and the time value of money to assess the default possibility of notes and accounts receivable. The provision matrix is as follows:

	<u>Not past due</u>	<u>Up to 90 days past due</u>	<u>91~180 days past due</u>	<u>Over 181 days past due</u>
Expected loss rate	0.1%	3%	10%	100%

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
At January 1	\$ 1,467	\$ 1,053
Provision for impairment	( 945)	709
Write-offs	-	( 295)
At December 31	<u>\$ 522</u>	<u>\$ 1,467</u>

For the years ended December 31, 2022 and 2021, the impairment (gains) losses arising from customers' contracts amounts to (\$945) and \$709, respectively.

(c) Liquidity risk

- The Company's treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the expected maturity date. The contractual cash flow are not discounted.

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Over 3 years
<u>December 31, 2022</u>			
Short-term borrowings	\$ 300,340	\$ -	\$ -
Accounts payable (including related parties)	100,827	-	-
Other payables	164,189	-	-
Lease liability	6,259	10,954	51,729
Long-term borrowings (including current portion)	366,934	525,027	340,843

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Over 3 years
<u>December 31, 2021</u>			
Accounts payable (including related parties)	\$ 86,870	\$ -	\$ -
Other payables	168,757	-	-
Lease liability	4,401	7,197	147,188
Long-term borrowings (including current portion)	213,475	721,307	823,606

Derivative financial liabilities:

As of December 31, 2022 and 2021, the Company has no derivative financial liabilities.

- iii. As of December 31, 2021, the principal of the borrowings which is due ‘between 1 and 3 years’ and ‘over 3 years’ amounted to \$400,000 (in addition, interest amounted to \$24,073). The Company has continually repaid principal and interest amounting to \$400,288 in advance on May, 2022. Except for the aforementioned, the Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The carrying amounts of the Company’s financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable (including related parties), other receivable-related parties, other current financial assets, refundable deposits, short-term borrowings, notes payable, accounts payable (including related parties), other payables, lease liabilities (including current and non-current) and long-term borrowings (including current portion) are approximate to their fair values.

B. The Company has no financial and non-financial instruments that were measured at fair value.

(4) Other matter

Due to Covid-19 pandemic and various prevention measures imposed by the government, the Company has followed the measures and regulations announced by the government to reduce the risk of personal contact and cross-infection. The Covid-19 pandemic had no significant impact on the Company's overall operations and financial condition.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 2.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.



G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

None.

Dingzing Advanced Materials Incorporated  
Provision of endorsements and guarantees to others  
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/guarantor	Limit on endorsements/		Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of asset value of the endorser/guarantor guarantor company	Ceiling on total amount	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
					guarantees provided for a single party ( Note 2 )	Maximum outstanding endorsement/guarantee amount as of December 31, 2022									
					\$	\$									
0	Dingzing Advanced Materials Incorporated	Dingzing Advanced Materials USA LLC		Note 1	\$ 1,182,389	\$ 31,803	\$ 31,803	\$ 629	\$ -	1.08%	1,477,987	Y	N	N	Note 3

Note 1: The Company owned directly or indirectly 50% shares with voting rights of the endorsed/guaranteed party.

Note 2: In accordance with the Company’s “Regulations Governing Endorsements and Guarantees to Others”, the endosed/guaranteed amount provided to individual entity shall not exceed 40% of net assets disclosed on the Company’s latest financial statements whereas the total endosed/guaranteed amount provided to others shall not exceed 50% of net assets disclosed on the Group’s consolidated financial statements.

Note 3: The actual amount drawn down was converted into NTD with the exchange rate of US\$1 to NT\$30.72 at the balance sheet date.

Dingzing Advanced Materials Incorporated  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

<p style="text-align: center;">If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:</p>													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Dingzing Advanced Materials Incorporated	Buildings and structures	2020/9/23	\$ 146,470	Note 1	Ren Bao Construction Company Limited.	None	N/A	N/A	N/A	N/A	Price comparison, and negotiation	Business production	-
Dingzing Advanced Materials Incorporated	Buildings and structures	2021/2/2	264,500	Note 2	Ren Bao Construction Company Limited.	None	N/A	N/A	N/A	N/A	Price comparison, and negotiation	Business production	-

Note 1: The Board of Directors during its meeting on April 13, 2018 resolved the plant establishment plan. Additionally, on September 23, 2020, the Company obtained a use permit in May 2022 and the payment was reclassified to buildings and structures after inspection.

Note 2: The Board of Directors during its meeting on April 13, 2018 resolved the plant establishment plan. Additionally, on February 2, 2021, the Company obtained a use permit in September 2022 and the payment was reclassified to buildings and structures after inspection.

Dingzing Advanced Materials Incorporated  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2022

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions				
			Transaction								
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Dingzing Advanced Materials Incorporated	DINGZING ADVANCED MATERIALS USA LLC	Subsidiary	(Sales)	(\$ 441,703)	(18%)	Based on mutual agreement	Note	Note	\$ 156,343	43%	
Dingzing Advanced Materials Incorporated	Ding Li Polyurethane Co., Ltd.	Subsidiary	(Sales)	( 387,081)	(16%)	Based on mutual agreement	Note	Note	15,569	4%	
Dingzing Advanced Materials Incorporated	Shanghai Dintex Trading Co., Ltd	Subsidiary	(Sales)	( 159,488)	(6%)	Based on mutual agreement	Note	Note	23,258	6%	
Dingzing Advanced Materials Incorporated	Mitsubishi Corporation	Other related party	Purchases	398,235	35%	Based on mutual agreement	Note	Note	( 40,413)	(40%)	
Ding Li Polyurethane Co., Ltd.	Dingzing Advanced Materials Incorporated	Parent company	Purchases	387,081	99%	Based on mutual agreement	Note	Note	( 15,569)	(100%)	
Shanghai Dintex Trading Co., Ltd	Dingzing Advanced Materials Incorporated	Parent company	Purchases	159,488	85%	Based on mutual agreement	Note	Note	( 23,258)	(93%)	
DINGZING ADVANCED MATERIALS USA LLC	Dingzing Advanced Materials Incorporated	Parent company	Purchases	441,703	100%	Based on mutual agreement	Note	Note	( 156,343)	(100%)	

Note: Based on mutual agreement, terms of related party transactions are not different from third-party transactions.

Dingzing Advanced Materials Incorporated  
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
December 31, 2022

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Dingzing Advanced Materials Incorporated	DINGZING ADVANCED MATERIALS USA LLC	Subsidiary	\$ 156,343	4.99	\$ -	-	\$ 66,367	-

Dingzing Advanced Materials Incorporated  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2022

Table 5  
Significant inter-company transactions reaching NTD 10 million are listed and disclosed as described in Note 2 as follows, counterparty transactions will not be disclosed again.

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Dingzing Advanced Materials Incorporated	Dingzing Advanced Materials USA LLC	1	Sale	\$ 441,703	Based on mutual agreement	17.00%
0	"	Ding Li Polyurethane Co., Ltd.	1	Sale	387,081	Based on mutual agreement	15.00%
0	"	Shanghai Dintex Trading Co., Ltd.	1	Sale	159,488	Based on mutual agreement	6.00%
0	"	Dingzing Advanced Materials USA LLC	1	Account receivable to related parties	156,343	Based on mutual agreement	3.00%
0	"	Shanghai Dintex Trading Co., Ltd.	1	Account receivable to related parties	23,258	Based on mutual agreement	-
0	"	Ding Li Polyurethane Co., Ltd.	1	Account receivable to related parties	15,569	Based on mutual agreement	-
0	"	Ding Li Polyurethane Co., Ltd.	1	Other receivable	15,872	Based on mutual agreement	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.)

- (1)Parent company to subsidiary;
- (2)Subsidiary to parent company;
- (3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

## Dingzing Advanced Materials Incorporated

## Information on investees

Year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss)	Investment income(loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				December 31, 2022	December 31, 2021				the year ended	for the year ended	
									December 31, 2022	December 31, 2022	
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS INCORPORATED	Cayman	Reinvests in various businesses	\$ 89,738	\$ 89,738	3,000,000	100	\$ 75,966	\$ 36,676	\$ 36,676	
DINGZING ADVANCED MATERIALS INCORPORATED	DING ZING POLYURETHANE EUROPE B.V.	Netherlands	Marketing	787	787	-	100	16,695	820	820	Note 1
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS VIETNAM COMPANY LIMITED	Vietnam	Marketing	18,910	15,598	-	100	3,886 (	3,123) (	3,123)	Note 1
DINGZING ADVANCED MATERIALS INCORPORATED	DINGZING ADVANCED MATERIALS USA, INC.	U.S.A.	Reinvests in various businesses	89,738	89,738	100	100	76,035	36,675	-	Note 2
DINGZING ADVANCED MATERIALS USA, INC.	DINGZING ADVANCED MATERIALS USA LLC	U.S.A.	Marketing	89,738	89,738	-	100	74,946	43,051	-	Notes 1 and 2

Note 1: Shares have not yet been issued and therefore not applicable.

Note 2:The investee accounted for using equity method was included in the profit or loss of the Company and investment income (loss) was calculated and recognised by the Company.

Dingzing Advanced Materials Incorporated  
Information on investments in Mainland China  
Year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
Ding Li Polyurethane Co., Ltd.	Sale of high-tech polyurethane relative products	\$ 91,746	Note 1	\$ 91,746	\$ - \$ -	\$ 91,746	(\$ 8,153)	100	(\$ 8,153)	\$ 77,444	\$ 17,800	Note 2
Shanghai Dintex Trading Co., Ltd	Sale of high-tech polyurethane relative products	58,712	Note1	70,455	- -	70,455	( 1,079)	100	( 1,079)	65,962	17,848	Note 2
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)									
Dingzing Advanced Materials Incorporated	\$ 162,201	\$ 162,201	\$ 1,773,584									

Note1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

1. Directly invest in a company in Mainland China
2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
3. Through investing in an existing company in the Mainland China, which then invested in the investee in Mainland China.

Note 2: The 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' in the financial statements are audited and attested by R.O.C. parent company's CPA.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.



Dingzing Advanced Materials Incorporated  
Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area  
Year ended December 31, 2022

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Provision of										
	Accounts receivable		endorsements/guarantees		Financing						
	Sale (purchase)	(payable)	or collaterals								
	Amount	%	Balance at December 31, 2022	%	Balance at December 31, 2022	Purpose	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate	Interest during the year ended December 31, 2022	Other
Ding Li Polyurethane Co., Ltd.	\$ 387,081	16%	\$ 15,569	4%	\$ -	-	\$ -	\$ -	-	\$ -	-
Shanghai Dintex Trading Co., Ltd	159,488	6%	23,258	6%	-	-	-	-	-	-	-

Dingzing Advanced Materials Incorporated  
Major shareholders information  
December 31, 2022

Table 9

Creditor	Number of shares held	Shares	Ownership (%)
Ding-ER Investments Co., Ltd.		20,097,300	29.02%
Ding-YU Investments Co., Ltd.		18,557,000	26.79%
Lin, Hsin-Tai		5,734,600	8.28%
SANLIN Investment Ltd. Account in Trust by Mega International Commercial		4,208,000	6.07%

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 1

Item	Description	Amount
Cash :		
Cash on hand and Petty cash		\$ 1,090
Bank deposits	Checking account deposits	8
	Demand deposits - NTD	86,287
	Demand deposits - USD	119,095
	(US \$3,877 thousand, exchange rate 30.72)	
	Demand deposits - EUR	37,850
	(EUR €1,157 thousand, exchange rate 32.72)	
	Demand deposits - RMB	4,111
	(RMB ¥932 thousand, exchange rate 4.41)	
		<u>\$ 248,441</u>

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 2

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Customer L	Sales revenue	\$ 19,562	
Customer C	Sales revenue	12,650	
Customer J	Sales revenue	11,645	
Customer N	Sales revenue	11,077	
Customer F	Sales revenue	10,148	
Others (balance of each client has not exceeded 5% of total account balance)	Sales revenue	<u>96,688</u>	
		161,770	
Less: Allowance for bad debts		( <u>513</u> )	
		<u>\$ 161,257</u>	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 3

		<u>Amount</u>		
		Net Realisable		
<u>Item</u>	<u>Description</u>	<u>Cost</u>	<u>Value</u>	<u>Note</u>
Raw materials		\$ 446,156	\$ 388,515	The lower of cost and net realisable value
Work in progress		61,080	57,714	
Finished goods		197,465	230,967	
Materials and supplies in transit		<u>6,000</u>	<u>6,000</u>	
		710,701	<u>\$ 683,196</u>	
Less: Allowance for inventory valuation losses	(	<u>74,018)</u>		
		<u>\$ 636,683</u>		

**DINGZING ADVANCED MATERIALS INCORPORATED**  
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(Expressed in thousands of New Taiwan dollars)

Statement 4

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral	Notes
Ding Li Polyurethane Co., Ltd.	-	\$ 98,201	-	\$ -	-	(\$ 20,757)	-	100%	\$ 77,444	-	\$ 86,528	None	
Shanghai Dintex Trading Co., Ltd.	-	83,235	-	-	-	( 17,273)	-	100%	65,962	-	68,133	None	
Dingzing Advanced Materials Incorporated	3,000,000	34,430	-	41,536	-	-	3,000,000	100%	75,966	2.53	76,035	None	
Ding Zing Polyurethane Europe B.V.	-	15,198	-	1,497	-	-	-	100%	16,695	-	16,695	None	
DingZing Advanced Materials Vietnam Company Limited	-	3,568	-	318	-	-	-	100%	3,886	-	3,876	None	
		<u>\$ 234,632</u>		<u>\$ 43,351</u>		<u>(\$ 38,030)</u>			<u>\$ 239,953</u>		<u>\$ 251,267</u>		

Note : It included additions of investments accounted for using equity method, profit or loss on investments accounted for using equity method, earnings distribution of investments accounted for using equity method, unrealised gain (loss) arising from inter-company transactions and currency translation differences, etc.

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF CHANGES IN COST OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 5

Item	Beginning Balance	Addition	Decrease	Reclassification	Ending Balance
Land	\$ 127,135	\$ -	(\$ 65,563)	\$ -	\$ 61,572
Building and structures	2,706	3,661	-	-	6,367
Transportation equipment	-	5,192	-	-	5,192
Miscellaneous equipment	3,114	-	-	-	3,114
Total	<u>\$ 132,955</u>	<u>\$ 8,853</u>	<u>(\$ 65,563)</u>	<u>\$ -</u>	<u>\$ 76,245</u>

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 6

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Land	\$ 7,725	\$ 1,280	\$ -	\$ -	\$ 9,005
Building and structures	2,073	701	-	-	2,774
Transportation equipment	-	936	-	-	936
Miscellaneous equipment	1,790	311	-	-	2,101
Total	<u>\$ 11,588</u>	<u>\$ 3,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,816</u>



DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 7

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Rate</u>	<u>Credit Line</u>	<u>Collateral</u>
Bank's unsecured borrowings		\$ 200,000	2022/11~2023/2	1.375%	\$ 200,000	None
Bank's guaranteed borrowings		<u>100,000</u>	2022/12~2023/1	1.25%	100,000	None
		<u>\$ 300,000</u>				

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 8

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company 9	Purchases and outsource	\$ 25,225	
Company 8	Purchases and outsource	7,544	
Company 1	Purchases and outsource	6,591	
Company 4	Purchases and outsource	5,039	
Company 10	Purchases and outsource	3,898	
Others (balance of each vendor has not exceeded 5% of total account balance)	Purchases and outsource	12,117	
		<u>\$ 60,414</u>	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 9

Creditor	Description	Borrowing Amount	Contract Period	Range of Interest Rate	Mortgaged or Guaranteed	Note
First Commercial Bank	2019.09~2029.09, Pays interest monthly, Starting from October 2022, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	\$ 890,364	2019.09~2029.09	1.125%	None	
E.SUN Commercial Bank, LTD.	2019.09~2024.09, Pays interest monthly, Starting from October 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	115,423	2019.09~2024.09	1.125%	None	
CTBC Bank Co., LTD.	2019.10~2024.10, Pays interest monthly, Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	90,932	2019.10~2024.10	1.125%	None	
Taishin international Bank	2019.10~2024.10, Pays interest monthly, Starting from November 2021, the borrower will make monthly fixed payments on principal and pay interest calculated on a monthly basis.	90,890	2019.10~2024.10	1.125%~1.225%	None	
		<u>1,187,609</u>				
	Less: Maturity within one year	<u>( 355,824)</u>				
		<u>\$ 831,785</u>				

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 10

Item	Description	Lease Period	Rate	Ending Balance	Note
Land		2018.04.09~2028.04.08	1.18%	\$ 52,989	
Building and structures		2019.01.01~2027.11.30	1.18%	3,602	
Transportation		2022.05.21~2025.10.25	1.02%	4,264	
Miscellaneous equipment	Telecommunication equipment	2019.01.01~2026.02.19	2.00%	386	
				<u>\$ 61,241</u>	
		Less: Maturity within one year		<u>( 5,570)</u>	
				<u>\$ 55,671</u>	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 11

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Thin films	81,504 thousand yards	\$ 2,222,449	
Oil seals	9,246 thousand pieces	158,485	
Belt pipes	6,038 thousand meters	114,485	
Other service revenue		<u>2,270</u>	
		2,497,689	
Less: Sales returns and discounts		( <u>24,530</u> )	
Net sales revenue		<u>\$ 2,473,159</u>	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 12

Item	Amount		Note
	Subtotal	Total	
Beginning raw materials		\$ 395,972	
Add: Raw materials purchased	\$ 1,137,221		
Less: Raw materials retirement	( 2,977)		
Less: Raw materials to sell	475		
Less: Raw materials reclassified as expenses, etc.	( 41,311)	1,093,408	
Ending raw materials		( 452,156)	
Raw materials used		1,037,224	
Direct labour		204,499	
Manufacturing expense		746,351	
Manufacturing cost		1,988,074	
Beginning work in progress		80,574	
Ending work in progress		( 61,080)	
Cost of finished goods		2,007,568	
Beginning finished goods		151,384	
Add: Current finished goods	\$ 44		
Less: Current finished goods retirement	( 5,713)		
Less: Finished goods reclassified as expenses, etc.	( 88,418)	( 94,087)	
Ending finished goods		( 197,465)	
Cost of goods sold		1,867,400	
Add: Cost of materials sales		( 475)	
Add: Allowance for inventory valuation		24,091	
Add: Other		31,145	
Total		\$ 1,922,161	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 13

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 181,493	
Depreciation expense		163,921	
Utilities expense		106,210	
Package expense		75,586	
Insurance expense		42,113	
Other expenses	Balance of individual accounts has not	177,028	
	exceeded 5% of total account balance		
		<u>\$ 746,351</u>	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 14

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 33,404	
Import and export expense		28,668	
Commissions expense		9,401	
Freight		7,561	
Sample expense		7,107	
Other expenses	Balance of individual accounts has not	19,952	
	exceeded 5% of total account balance		
		<u>\$ 106,093</u>	



DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 15

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 48,815	
Professional service fees		4,428	
Other expenses	Balance of individual accounts has not	28,153	
	exceeded 5% of total account balance		
		<u>\$ 81,396</u>	

DINGZING ADVANCED MATERIALS INCORPORATED  
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 16

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Research and development expense		\$ 76,952	
Wages and salaries		16,875	
Processing expense		8,274	
Other expenses	Balance of individual accounts has not	5,132	
	exceeded 5% of total account balance		
		<u>\$ 107,233</u>	

**DINGZING ADVANCED MATERIALS INCORPORATED**  
**SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION,**  
**DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(Expressed in thousands of New Taiwan dollars)

Statement 17

Function Nature	Year ended December 31, 2022		
	Classified as cost of sales	Classified as operating expenses	Total
Employee Benefit Expense	\$ 440,150	\$ 107,393	\$ 547,543
Wages and salaries	370,360	90,126	460,486
Labour and health insurance fees	37,804	7,018	44,822
Pension costs	18,921	3,974	22,895
Board compensation	-	4,994	4,994
Others	13,065	1,281	14,346
Depreciation Expense	185,657	4,781	190,438
Amortisation Expense	-	1,273	1,273

Function Nature	Year ended December 31, 2021		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ 425,806	\$ 101,295	\$ 527,101
Wages and salaries	358,529	85,007	443,536
Labour and health insurance fees	36,196	6,480	42,676
Pension costs	17,916	3,743	21,659
Board compensation	-	4,896	4,896
Others	13,165	1,169	14,334
Depreciation Expense	182,264	3,948	186,212
Amortisation Expense	-	1,224	1,224

Note:

- A. As of December 31, 2022 and 2021, the Company had 619 and 608 employees , including 6 and 5 non-employee directors, respectively.
- B.(a) For the years ended December 31, 2022 and 2021, average employee benefit expense was \$885 and \$866, respectively.
- (b) For the years ended December 31, 2022 and 2021, average employee salary was \$751 and \$736,
- (c) Changes of adjustments of average employees' salary was 2.04%.
- (d) For the years ended December 31, 2022 and 2021, supervisors' remuneration was both \$0(Note).
- (e) The Company has a salary and remuneration committee which sets and periodically reviews directors' and managers' performance assessment standards, annual and long-term performance target and policies, mechanics, standards and structures of salary and remuneration, periodically assesses the achievement of directors' and managers' performance targets and set the content and amount of salary and remuneration based on the assessment results from the performance assessment standards.
- In accordance with the Articles of Incorporation, the remuneration of the Company's directors and supervisors, a ratio of distributable profit of the current year, if any, shall be appropriated as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 1~5% for employees' compensation which can be in the form of shares or in cash and shall not be higher than 1% for directors' remuneration.

DINGZING ADVANCED MATERIALS INCORPORATED  
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION,  
DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Statement 17

If the Company has an accumulated deficit, earnings should be reserved to cover deficit.

The employees' salaries of the Company are determined by reference to the Table of Salary Range for Each Job Classification and Position, which is set out by considering the complexity, level of responsibility and professional skills required for the job. Except for the regulations stipulated in the laws or items agreed with employees, the employees' salaries shall be paid in full amount. The compensation paid to employees during the normal working period shall not be less than the minimum wage. In addition, the Company distributes employees' bonuses and employees' compensation in order to motivate employees for achieving operation objectives and improve the Company's earnings. The distribution standard of employees' bonuses is based on the announced rules of bonuses, and the distribution of the employees' compensation is based on the Company's Articles of Incorporation.

Note: The Company has an audit committee, thus, there was no remuneration of supervisors.



Science. Innovation. Collaboration.

## **DingZing Advanced Materials Inc.**

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