



**San Neng Group Holdings Co., LTD.**

# 2023 Annual Report

**Notice to readers**

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

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Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

Corporate website: <https://www.sannenggroup.com/>

**1. Name of the spokesperson and acting spokesperson, job title, contact telephone, and email address:**

Spokesperson: Hsiao, Kai-Feng Tel: 0928-135-680  
 Title: Chief Executive Officer Email: SNGIR@sanneng.com.tw  
 Acting Spokesperson: Chang, Hsin-Yi Tel: 0934-143-800  
 Title: Management Center Director and General Manager of Sanneng Bakeware Corporation Email: SNGIR@sanneng.com.tw

**2. Headquarters, primary place of business, subsidiary and factory information:**

(1) Name of Company: San Neng Group Holdings Co., LTD.

(2) Headquarters

Name: San Neng Group Holdings Co., LTD. Website: www.sannenggroup.com/  
 Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Tel: (04)24925850  
 P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands

(3) Subsidiary and plant

Name: Sanneng Bakeware Corporation Website: www.sanneng.com.tw  
 Address: No. 58, Gongye 8th Rd., Dali Industrial Zone, Dali Dist., Taichung City, Taiwan Tel: (04) 24925850

Name: Sanneng Bakeware (Wuxi) Co., Ltd. Website: www.wx.sanneng.com

Address: No. 316 Youyi North Road, Xishan Economic Development Zone, Tel: (86) 0510-83777515  
 Wuxi, Jiangsu, China

Name: Sanneng Bakeware (Guangzhou) Co., Ltd.

Address: Building 11, Phase 2, Huachuang Animation Industrial Park, Jinshan Village, Tel: (86) 020-31129899  
 Shijie Town, Panyu District, Guangzhou, Guangdong, China

Name: XinNeng Bakeware (Wuxi) Co., Ltd. Website: --

Address: No. 316 Youyi North Road, Xishan Economic Development Zone, Tel: (86)0510-83777515  
 Wuxi, Jiangsu, China

Name: Wuxi Squires Kitchen Trading Co., LTD. Website: --

Address: No. 316 Youyi North Road, Xishan Economic Development Zone, Tel: (86) 0510-83772630  
 Wuxi, Jiangsu, China

Name: Sanneng Japan Bakeware Co., Ltd. Website: --

Address: 3-5-2, Chiyoda-cho, Chiyoda-ku, Tokyo, Japan 502 Burex Tel: (81) 3-62724777

Name: PT. Sanneng Bakeware Indonesia Website: --

Address: Komplek Rukan Puri Mutiara, Blok BC No.10-11 Jl. Griya Utama, Sunter Tel: (62) 21-22651332  
 Agung, Jakarta 14350, Indonesia

(7) Name, title, contact phone number, and e-mail address of the designated agent

within the territory of the Republic of China

Phone: 0928-135-680

Name: Chang, Jui-Jung Job title: Chairperson of the Board

Email: SNGIR@sanneng.com.tw

**3. Name, Address, Website and Telephone of Stock Transfer Agency**

Name: Mega Securities Co., Ltd. Website: www.emega.com.tw

Address: 95, Sec. 2, Jhongsiao E. Road, Taipei, Taiwan Tel: (02)3393-0898

**4. Most recent fiscal year financial report CPA's name, the CPA firm, address, website, and telephone number**

Name of CPAs: Liu, Li-Wei and Ho, Jui-Hsuan

Name of Accounting Firm: Deloitte & Touche

Website: www.deloitte.com.tw

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan

Tel: (02)2725-9988

**5. Name of Overseas Securities Trading exchanges and methods for searching for overseas securities information: None.****6. Company Website: www.sannenggroup.com/****7. List of Directors**

Job title	Name	Nationality	Main experience
Chairperson	Chang, Jui-Jung	ROC	CEO, San Neng Group Holdings Co., Ltd.
Director	Hsieh, Shun-Ho	ROC	Chairperson, SINMAG Equipment Corporation
Director	Chen, Lai-Chun	ROC	Supervisor, San Neng Bakeware Corporation
Director	Tsai, Feng-Lung	ROC	Director, San Neng Bakeware Corporation
Director	Hsiao, Kai-Feng	ROC	Management Center Director, San Neng Group Holdings Co., Ltd.
Director	Chang, Chih-Hao	ROC	Marketing Center Director, San Neng Group Holdings Co., Ltd.
Independent Director	Huang, Chen-Yen	ROC	Senior Engineer MIRDC, Metal Industries
Independent Director	Shih, Kuen-Ho	ROC	Director, China Grain Products Research & Development Institute
Independent Director	Chen, Shuei-Jin	ROC	Professional CPA and Managing Partner, Yuen Sheng CPA Firm

**8. Contact Information of Designated Domestic Agent**

Name: Hsiao, Kai-Feng Title: Chief Executive Officer Tel: 0928-135-680 Email: SNGIR@sanneng.com.tw

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## Chapter I. Letter to Shareholders

Ladies and Gentlemen,

The summary of the Company's 2023 annual operating performance and 2024 outlook is as follows:

### I. 2023 Business Report

(I) Business plan implementation results: comparison of operating results: (consolidated profit and loss)

Unit: Thousand NTD

	2023	2022	Increase (decrease) ratio (%)
Operating revenue	1,905,839	1,861,962	2.36
Operating costs	1,168,835	1,186,860	(1.52)
Gross profit	737,004	675,102	9.17
Operating expenses	516,487	479,965	7.61
Profit from operations	220,517	195,137	13.01
Non-operating income and expenses	34,644	9,471	265.79
Profit before income tax	255,161	204,608	24.71
Net profit for the year	178,477	145,572	22.60

(II) Budget execution

The Company did not publicly disclose any financial forecasts for 2023.

(III) Analysis of financial revenues and expenditures and analysis of profitability (consolidated statements):

Item		2023	2022	
Financial structure analysis	Debt to asset ratio (%)	22.20	24.04	
	Ratio of long-term capital to property, plant and equipment (%)	220.46	208.85	
Solvency analysis	Current ratio (%)	291.38	265.06	
	Quick ratio (%)	206.55	193.55	
Profitability analysis	Return on total assets (%)	8.22	6.52	
	Return on stockholders' equity (%)	10.49	8.60	
	Ratio to paid-in capital	Operating income (%)	36.29	32.12
		Pre-tax income (%)	42.00	33.68
	Profit ratio (%)	9.36	7.81	
Earnings per share (NT\$)	2.89	2.43		

(IV) Research and development status

In order to ensure competitiveness in the field of baking equipment, the Group continues to introduce new products in addition to seeking continuous advances in product design and process improvements. In 2023, the Group invested a total of NT\$85,148 thousand in R&D, which accounted for 4.47% of the operating revenue. The R&D expenditure is regarding materials/products testing, technology, and development of more diversified and innovative quality products. This was done so as to fully satisfy various customer needs while continuing to expand the product market share and bolster the competitive advantages of our brand. Since 2023, the Company has been consistently enhancing our product designs and refining our production technologies. This includes the introduction of innovative products and technologies such as the Condensation Whisk Bowl, Unibody Whisk, Fiber-planted Plastic Products, Z-Type Folding Aluminum Trolley, Ceramic Coating Applications, and the Hamburger Automatic Material Receiving Robot. Furthermore, we have expanded into the outdoor product market, catering to activities like camping and barbecuing. Our product line in this area includes the Sierra Cup, portable folding tables and chairs for outdoor recreation, retro LED camping lights, and premium titanium cutlery sets and barbecue tongs. As of the publication date of this Annual Report, the number of patents obtained and under application are 172 and 27 by the Group, 13 more than that of last year, implying that our R&D capacity will wield significant influence on future product development and applications as well as market sales.

## II. Summary of the 2024 Business Plan

### (I) Business Strategy

Following the lifting of COVID-19 restrictions around the world in 2022, there has been a gradual return to normalcy in people's lives and societal structures after a year of adaptation. Looking forward to 2024, we expect a more significant recovery in the global economy.

The San Neng Group has been deeply involved in the baking appliance industry for years and has always adhered to the business philosophy of “professionalism, integrity and innovation.” With the following group mission, vision and purpose, it has continued to promote various business policies and formulate various business plans as the basis for the operations of the Group and its subsidiaries. The Group has thus accumulated its competitiveness over the years that many other peers in the baking appliance industry cannot easily surpass.

Group mission: to become a promoter of cookware safety, environmental protection, energy conservation and carbon reduction.

Group vision: to become a leading brand of cookware in Asia with professionalism, services and trust.

Group mission: to improve baking technology in Asia and co-create a baking ecosystem.

In light of the shifts in the post-pandemic landscape, the Company has set its operational strategy for 2024, which is based on market segmentation, local adaptation, and ongoing innovation. This builds on the strategy put into place in 2023. The approach involves

broadening the distribution of sales channels, modifying the structure of these channels, and bolstering sustainable business growth. At the same time, carry out detailed planning and implementation of global ESG issues, with an operating goal in 2024 to improve the Company's market competitiveness, maintain the existing customers, develop new markets and new customers, expand sales and seize a larger market share.

### **1. Expand the deployment of sales channels**

In the past, the Company's main sales channels included both direct industrial customers and distributors. In response to the changes in customer consumption habits and channels in the post-epidemic era, in 2024, apart from continuously consolidating the original sales channels, the Company will expand online blogs, sharing collaboration platforms and social networks (such as Facebook, Instagram, Weibo, MEWE and TIKTOK) and other self-media means to develop the market its products. Since 2023, a specialized supervisor has been appointed for the catering equipment sector to foster a more structured growth of the catering market, the chain cafe market, the outdoor activity products (such as camping and barbecue) and promote its products actively through large chains and co-branding with baking celebrities.

Meanwhile, the Company will continue to promote online sales by harnessing the Company's existing e-commerce advantages, while also building strategic alliances with upstream and downstream enterprises in the bakery industry. The Company also aims to leverage the existing e-commerce operating team to operate products on behalf of upstream and downstream customers to increase service revenues and also increase the number of fans and viewers and improve the added value of the website.

### **2. Improve the competitiveness of products**

Since the second half of 2022, there has been a continuous increase in global raw material prices. Coupled with the rising awareness of labor protection in various countries, personnel costs have been steadily increasing. This has led to a significant increase in the production costs for businesses. In light of current trends, our company plans to continue promoting production automation, rational product design, and streamlined manufacturing processes in 2024. By improving equipment and simplifying processes, we aim to enhance product quality and increase production efficiency without compromising product quality. This approach is expected to reduce product costs and optimize manufacturing costs, thereby continuously improving the market competitiveness of our products.

### **3. Strengthen sustainable operations and development**

In recent years, due to the global climate change, the rising sea level caused by the greenhouse effect, the COVID-19 epidemic at the end of 2019 and other environmental and social issues, people have started to think about how to coexist with the natural environment. Enterprises have also started to think about how to fulfill their corporate social responsibilities and how to protect the earth to achieve sustainable operations while taking into account the growth of revenues and profits. Therefore, enterprises must start to learn how to implement ESG and reduce the impact of risks in the ever

changing business environment. In August 2021, at the 10th meeting of the third board of directors of the Group, the Company approved the establishment of the “Sustainable Development Management” unit in the CEO’s Office, and appointed a competent corporate governance director as the dedicated unit for ESG promotion, so as to promote various sustainable development activities of the Group and its subsidiaries. Therefore, the sustainable operation and development of the Company will be reflected in the following aspects:

- (1) Develop flock fiber products and antibacterial products: the use of sawdust powders, oyster shell powders, coffee grounds and other recycled materials are added to plastic products, to reduce the use of plastic materials by 30% to 50%, which can significantly reduce the consumption of plastic materials. This series of products was introduced and released to the market in early 2024, garnering a positive reception from attendees at the Taipei International Bakery Show held this year. Meanwhile, due to the cost of the global economy and society caused by the raging COVID-19, the Company also actively develops antibacterial baking appliances, to meet the needs in the post-epidemic era, so that consumers can use them at ease and eat happily.
- (2) Designing Longer-lasting Products: in light of the impending inflation and escalating expenses, to save the purchase costs of customers and the time taken by the replacement of production lines, the Company is also actively developing more durable materials and coatings to extend product lifespan and achieve the more efficient use of resources.
- (3) Promote the non-stick re-processing business: to be specific, an old baking appliance used by a customer will go through an environment-friendly non-stick coating removal process, to remove the expired non-stick coating and dirt on the original product. Then the non-stick re-processing will be carried out as needed by the customer, to ensure the same non-stick effect as that of a new product. Following ongoing enhancements to The Company's recycling technology in 2023, we have achieved significant advancements in both quality and cost-effectiveness, thereby providing our customers with superior conditions. This underscores our dedication to promoting a circular economy. This can reflect the spirit of circular economy, and at the same time, it can save the customer the cost of repurchasing a new product. When the overall business environment is not good, it will undoubtedly give customers a new choice that is both environment-friendly and cost-saving.
- (4) Continued Promotion of Energy Saving and Carbon Reduction Project: Net-zero carbon emissions have become an international trend, with countries and regions beginning to require its incorporation into business operating standards gradually. As of March 2023, 198 countries around the world have already declared their net-zero emissions targets. Taiwan, where a key subsidiary of the Company is located, has announced that it will achieve net-zero carbon emissions in 2050, while mainland China has announced that it will achieve carbon peaking in 2030 and carbon neutrality in 2060. Therefore, the Company established the “Carbon Emissions Reduction



Project” in 2022 to promote various energy savings and carbon reduction measures. We have successfully acquired the required certifications for our energy management and carbon inventory and verification processes. We are committed to adhering to the regulatory standards set by the appropriate authorities in the regions where our subsidiary companies operate, within the set deadline and reduce the Company's operating risks in order to achieve the goal of sustainable operations.

## (II) Expected Sales Volume and Its Basis

The Company’s main products are various baking appliances. In recent years, in addition to entering the sector of small baking appliances and baking materials, it has also strengthened the development of the cookware market. Beginning in 2022, we plan to intensify our strategic collaboration with industry counterparts to bolster our e-commerce operational proficiency. This initiative will involve assisting Taiwanese firms' suppliers of raw materials and equipment in setting up their flagship stores. Additionally, we will pursue operational outsourcing partnerships. This cooperative approach will not only augment our profit margins but also elevate the visibility of our industry colleagues' brands and products across the digital landscape, thereby broadening our online customer base.

The Company’s expected sales volume in 2024 is estimated based on the growth rate of the bakery market of each subsidiary of the Group over the years. In addition to the expected sales volume growth of the original market and customers in 2024, the Company will also take into account the product development plan in 2024, to sequentially optimize its existing products, launch new products, expand new market and at the same time integrate upstream and downstream enterprises in the bakery industry to build a strategic alliance. Meanwhile, the Company will launch joint marketing through bakers and cultural creative channels. These sales modes are expected to create further growth in e-commerce sales business.

In 2024, our Company intends to partner with baking instructors and their classrooms as a component of our digital transformation strategy. This will allow students the ease of making online purchases through unique QR codes supplied by these instructors and classrooms. Squires will manage the transactions and shipping directly, with a portion of the profits being distributed to the classrooms and instructors via a commission-based structure. These novel sales approaches are anticipated to substantially boost our e-commerce business growth. In the aftermath of the pandemic, the baking industry in mainland China continues to show a positive growth trajectory. Consequently, our subsidiary, Squires, is not only marketing its traditional baking equipment but also actively pushing a range of baking-related products, including food ingredients and baking appliances. We have even assumed the role of a distributor for baking products, consistently driving sales via e-commerce. Moreover, we are capitalizing on the swift expansion of industrial clients in the post-pandemic period and the rise in technological challenges. Through diagnostic services, we scrutinize our clients' factory production methods, pinpoint inefficiencies, and implement enhancements to lower their production expenses. The results in cost savings, increased client dependency, and improved product

competitiveness, facilitating the sustained sales growth of our customized products. In 2024, Sanneng successfully broadened its market reach through the introduction of the Sanneng Outdoor brand. Additionally, the Company launched the Sanneng Home product line, which encompasses a variety of new offerings for kitchen and storage needs. We have also launched the Sanneng Industry range of industrial goods. These offerings not only enhance the quality of our products but also provide a price advantage, giving us a competitive edge. Consequently, we have now expanded our reach into additional industrial sectors. Subsequent to the pandemic reopening, Sanneng Japan has capitalized on the opportunity by bringing Japanese technicians to Taiwan to provide expertise and market raw materials. This strategic move has led to a significant boost in Sanneng Japan's export revenue. In Indonesia, Sanneng Indonesia has established strong partnerships with local entities to facilitate domestic production of goods. This strategy leverages local resources, leading to cost savings, enhanced price competitiveness, and growth in the Indonesian market.

The outlook of the e-commerce growth, the continuous promotion of revenues from industrial customers, launching new products, expanding new market, and the continuous expansion of the Asian market in the post-epidemic era in 2024 can better reflect the aim of “improving baking technology of Asia and co-creating a baking ecosystem” of San Neng Group. We look forward to better results continuously created by the Company in 2024.

### (III) Production and Sales Strategies

1. Continuing to promote automated production, improve quality, increase efficiency, and reduce labor costs; solve the problem of difficult employment of direct labor in the workplace and reduce the turnover rate.
2. By enhancing the accuracy of sales forecast via IT competences and coordinating production planning and scheduling in line with procurement policy, the efficiency of inventory management can be enhanced and stock out frequency will be reduced.
3. Analyze the cost advantages of each subsidiary. We are consolidating group production resources and efficiently executing the division of labor between production and sales. In an effort to broaden our operational scope, we are strategizing to set up a third manufacturing facility in Indonesia. Our objective is to vigorously advance localized production within the country and officially kick off manufacturing processes by the close of 2024, expecting to reduce costs and enhance competitiveness by producing products in close proximity to target markets.
4. Each subsidiary continuously strengthens production planning and scheduling and, by adhering to the sales forecast, improve the efficiency of inventory management and reduce the stockout frequency.
5. Enhance the capability to propose to centralized bakeries, partner with ingredient suppliers to propose products and services. Pair with mold sales to provide a diversified product portfolio, including sales, mold design, cleaning supplies, reprocessing services, technician team services. At the same time, through diagnostic services, observe the production process of customer factories to give product and production process improvement recommendations to reduce costs and increase efficiency, thereby

enhancing customer trust.

6. Increase the market share of online sales, enhance brand competitiveness through online course sales, ingredient pairing sales, co-branded product sales, livestreaming sales, and optimizing platform content. Assist ecommerce distributors to develop customized and exclusive products to increase profit margins through product differentiation and customer group differentiation. Collaborate with top online oven brands to attract shared fan traffic and increase product sales.
7. In response to the gradual increase in labor costs in the bakery market and the expanding demand for frozen dough, the Company intends to collaborate with existing majors to develop baking trays and related products for frozen dough.
8. In addressing the concern of surging electricity costs in 2024, we are actively advocating for and steadily developing energy-efficient products and developed to assist upstream and downstream operators to reduce baking costs and increase production, thus reducing energy consumption that is also conducive to environmental protection.
9. As ESG issues continue to garner widespread attention, Sanneng has launched a series of flocked fiber plastic products, using plastic combined with recycled wood chip powder, oyster shell powder and coffee grounds to replace 30% to 50% of plastic usage, enhancing consumer awareness and recognition of the brand.
10. Foster industry alliances and cross-industry alliances to increase the added value of brands and new distribution channels through co-branding, co-hosting events and livestream promotions across various distribution channels.
11. Enhancing the professional expertise of students, teachers, and distributors can be achieved through a focus on education and training in areas such as products, materials, coatings, and food safety. This can be accomplished by partnering with professional organizations to deliver joint education and training initiatives. This approach will not only strengthen the educational and training capabilities of schools and teachers but also enhance the knowledge base of our distributors. Furthermore, it is crucial to effectively communicate the Company's business philosophy and ensure the supply of safe and healthy baking tools.
12. Deepen presence in Southeast Asian markets and expand into Western markets. Southeast Asia is a major market for the Company's export sales. In 2024, the Company will continuously collaborate with the baking instructors from Taiwan and China to teach and promote our brand and products through training and interaction with local distributors across Southeast Asia, and at the same time strengthen customer loyalty with centralized bakeries in Southeast Asia through diagnostic services. In Western markets, the Company shall start by sponsoring schools with bakeware for school education, participating in exhibitions and promoting the Company's products through partner consultants.
13. We have launched the Sanneng Outdoor brand to penetrate the outdoor equipment industry. Leveraging our Company's extensive 40-year history in metal manufacturing and surface treatment, we provide a variety of camping-related products such as cookware, cups, tables and chairs, and lighting. Our brand's guiding principle,

"Wherever you go, it feels like home," is strategically positioned to take advantage of new market opportunities.

14. In response to the needs of China's mid-range and entry-level industrial clients, the Company has launched products under the SNI (SANNENG INDUSTRY) brand. These products are specifically designed to meet the price and quality expectations of this customer segment. This strategic initiative is intended to increase market penetration and enhance sales.
15. In order to stimulate expansion in the catering sector, a novel catering initiative is set to launch in 2024, overseen by a team of experts. This team, possessing an extensive knowledge of the catering industry, will develop a suite of products tailored specifically for the steam oven series. Furthermore, they will conduct proactive research into the requirements of the coffee market to formulate a strategic plan.
16. Introducing the SANNENG HOME brand, we are devoted to broadening our reach in the home baking market. Furthermore, we are dedicated to the development of kitchenware, storage, and cleaning products that meet the demands of the domestic market.

### III. Future corporate development strategy:

- (I) Continue to develop high value-added products to enrich the new Sanneng Premium product line, so that bakers, chefs and high-end consumers can recognize the new brand. Design and develop products through the users' point of view, and leverage the new brand as an entry point into the future for expansion into kitchen appliances.
- (II) Establish the new brand SANNENG OUTDOOR to enter the outdoor and camping market, harnessing competitive edge with the advantages of Sanneng's expertise in product design, surface treatment and food safety.
- (III) Actively work with industry, government, academia, and research institutes to develop environmentally friendly, non-polluting and food-safe surface coatings.
- (IV) Integrate upstream and downstream resources related to the bakeware industry and internationally renowned brands through strategic alliances and mergers and acquisitions at the appropriate time in order to expand the Company's business scope and scale.
- (V) The company is rooted in Taiwan, dedicated to the Asian market, with ambitions to expand globally. With the increasing manufacturing costs in Mainland China, and the Southeast Asian market having reached a formidable scale in production and sales, the Company has established "Sanneng Asia Industry Indonesia" company and has started plant setup operation. We will integrate the Group's resources to produce products in Indonesia to serve Southeast Asian countries, increase its international market share, and diversify its international sales market to cater for the emerging markets in Southeast Asia and reduce our reliance on the China market for business operations. The plant is expected to officially put into production at end of 2024.

### IV. Impacts from External Competition, Laws and Regulations, and Macroeconomic Factors

- (I) Impacts from External Competition

The bakeware industry is a relatively mature traditional industry, and the capital threshold is not high. Therefore, many competitors have arisen in recent years and especially in mainland China. Nonetheless, the Company has been deeply engaged in Taiwan, China, and Southeast Asia for many years and it has a complete distribution system, a complete series of product lines, and brand awareness. In addition, the Company has its own finishing plant that can meet customers' needs for product anode, dura mater and no-stick. This has been coupled with the benefits of automated production introduced in recent years, as well as upgraded R&D of innovative products and continuous investment in technology R&D power and service quality. We have been applying for and obtaining patents for our products and technology from around the world. Always adhering to the business philosophy of "integrity, professionalism, and innovation," together these strengths allow the Company to continually provide customers with products and services of the highest quality irrespective of changes in market conditions and customer demands. All these efforts are aimed at better meeting the overall needs of customers and becoming the best partner in the baking industry. Therefore, the Company will still be ahead of competitors in the bakeware industry for the foreseeable future.

## (II) Impacts from Laws and Regulations

The Company is registered in the Cayman Islands, and mainly operates in Taiwan and the People's Republic of China. The Cayman Islands mainly engages in financial services, whereas Taiwan is an area where decrees, laws and regulations are very transparent and the jurisdiction system is sound; meanwhile, the People's Republic of China is now a member of the ASEAN–China Free Trade Area. China's economy has gradually opened up in recent years, and its legal regulations have gradually become aligned with international counterparts and achieved increased transparency for the sake of greater internationalization. In recent years, therefore, China has been gradually and more specifically revising its laws and regulations regarding food safety, intellectual property rights, environmental protection, and consumer protection. Always adhering to the business philosophy of integrity, the Company has been continuously implementing legal compliance; and it has adjusted, where necessary, its products, systems, and operating procedures to be in line with legal and regulatory changes. This is done so as to ensure compliance with updates to laws and regulations in the People's Republic of China.

The Company and its subsidiaries implement their business in accordance with critical local policies and the laws and regulations of the countries in which they are located. They pay attention to important policy trends and to changes in in both domestic and overseas laws. In case any changes occur, relevant consultation occurs with lawyers, accountants, or related responsible authorities. These parties might also be commissioned to assess and plan response measures in order to effect a timely response to changes in the market environment and to undertake responsive measures. In the most recent year and through the date of publication of this Annual Report, there was no significant impact on the Company's finances or business due to changes in important policies and laws in the Cayman Islands, Taiwan, or the People's Republic of China.

### (III) Impacts from the Macroeconomic Environment

1. The Group mainly sells to domestic, local markets of each subsidiary, where the currency paid and received are in denoted using the same local currency, which creates a natural hedging inherent mechanism and therefore, changes in foreign exchange rates have little impact on operating performance. The Company's debts are not high. The total liabilities was 488,949 thousand NT dollars. Comparing to 533,947 thousand dollars in 2022 was continually decreased. The debt ratio continually decreased by 1.85% from 24.04% in 2022 to 22.20% in 2023. It is at a low debt level. In addition, the rate expected to fall, the impact of any interest rate change on profitability is not large and interest rate risk is not high.
2. All the subsidiaries and sub-subsidiaries of the Company mainly focus on domestic sales. Their sales revenues are mainly in local currencies, and their various purchases and expenses are also mainly paid in local currencies. Thus, the actual portion of foreign currencies is not high. As a result, any exchange rate change has limited impact on the overall profitability and the exchange rate risk is not high.
3. In response to labor shortages and rising wages around the world, the Group has introduced automated equipment and optimization of operating procedures. This has reduced its dependence on labor, improved production and operational efficiency, and reduced personnel costs.
4. Southeast Asian emerging markets and China's third- and fourth-tier cities are conspicuous in terms of their continuous population growth and increasing national income, factors that have direct impact on the baking industry. Therefore, these areas will be the key markets for future development.

Chairperson: Chang, Jui-Jung

## Chapter II. Company Profile

### I. Date of founding and overview of the Group

San Neng Group Holdings Co., Ltd. (hereinafter, “the Company”/”Sanneng-KY”) was established on April 29, 2015 as an overseas holding company that was originally registered in the British Cayman Islands. In 2016, the Group completed the restructuring of its investment structure and included within the Group the following companies: San Neng Bakeware Corporation (hereinafter, “Sanneng Taiwan”), which was established in Taiwan; Sanneng Bakeware (Wuxi) Co., Ltd. in China (hereinafter, “Sanneng Wuxi”); and Sanneng Japan Co, Ltd. (hereinafter, “Sanneng Japan”). The Group also established PT. Sanneng Bakeware Indonesia (hereinafter, “Sanneng Indonesia”) in Jakarta, Indonesia in 2015. Sanneng Wuxi invested in Wuxi Squires Kitchen Trading Co., LTD. (formerly called Squires Kitchen Sugarcraft (Wuxi) Co., Ltd., hereinafter Squires), Xin Neng Bakeware (Wuxi) Co., Ltd. (hereinafter Xinneng) and Sanneng Bakeware (Guangzhou) Co., Ltd. (hereinafter, “Sanneng Guangzhou”) respectively in July, 2017, April, 2019 and December, 2021. Sanneng Asia Industry Indonesia (hereinafter, “Sanneng Indonesia Industry”) was established in Solo City, Central Java Province, Indonesia in March, 2024. Among these, Sanneng Taiwan, Sanneng Wuxi, Sanneng Japan and Sanneng Indonesia are 100% wholly-owned subsidiaries of the Company. Squires is a 52.48%-owned subsidiary of Sanneng Wuxi and specializes in e-commerce. Xinneng is a 55%-owned subsidiary of Sanneng Wuxi, whose main business activities are manufacturing and sale of bakeware. Sanneng Guangzhou is a 100%-owned subsidiary of Sanneng Wuxi, whose main business activitie is selling for bakeware. Sanneng Taiwan and Sanneng Wuxi are the main operating companies of the Company, and their business activities include research and development, as well as manufacturing and sale of various professional baking utensils and equipment. At present, the operating model is based on sales of our own brands, and besides the early "SANNENG" brand there has also been expansion to the commercial market (B to B), focusing on channels such as bakery chains, central kitchens, hotelier, ingredient stores, and cooking utensil retailers. The rise of the household market has been supported by several factors including national incomes across the Asian region, the increasing popularity of weekend time off, and an increasing emphasis on food safety issues. In response, we created our second "unopan" brand in 2013 to develop the home baking ware and utensil market (B to C). In recent years, we have also been representing well-known domestic and foreign baking-related brands to offer a complete product line and meet the diverse needs of customers.

## II. Company and Group History

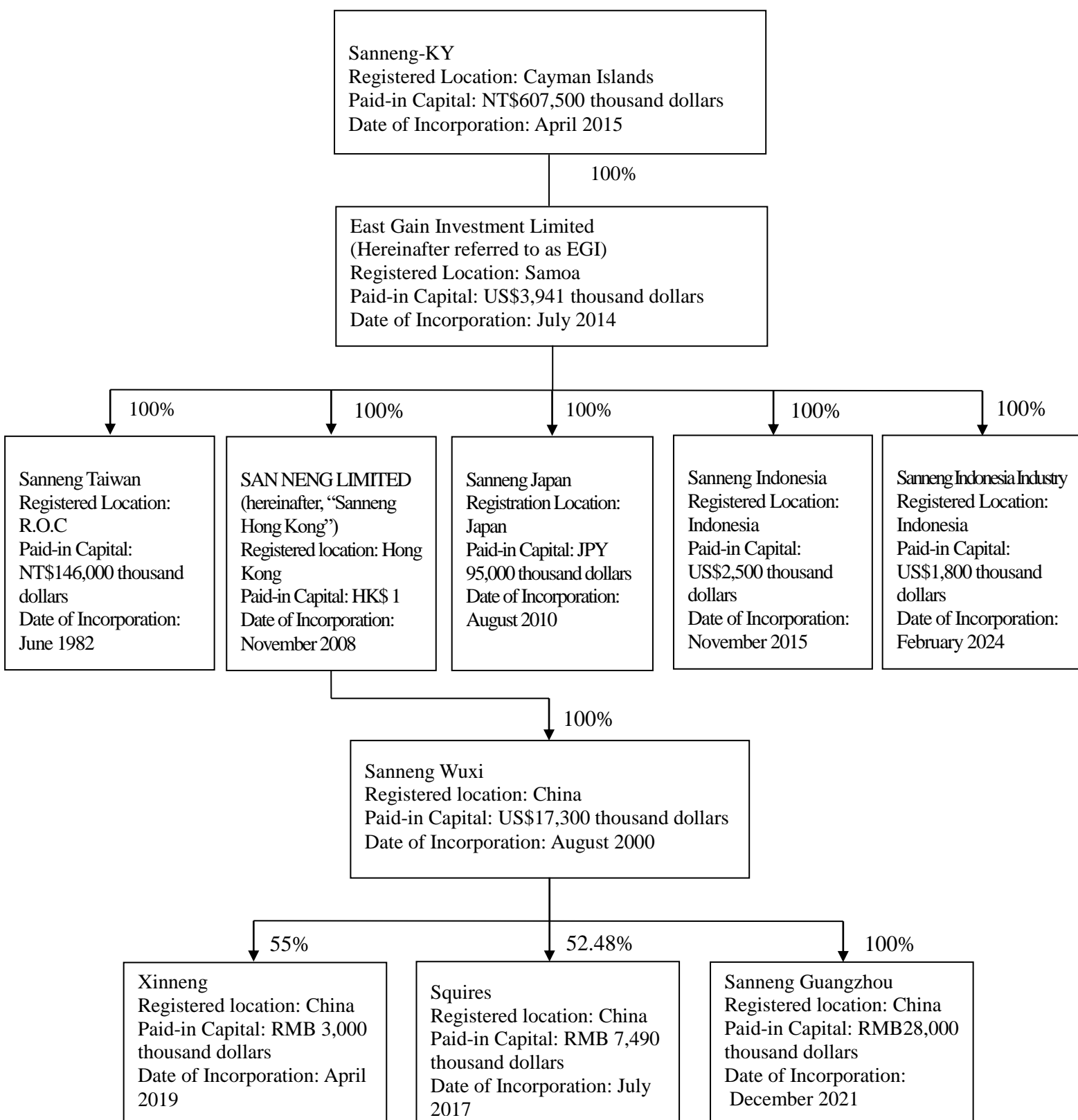
Year	Company and Group History
1982	Sanneng Taiwan, founded in 1982 with a total area of 50 pings, mainly engaged in black iron baking trays.
1990	Moved to the new plant with a total area of approximately 800 pings on Guangxing Rd., Taiping Dist., Taichung City.
2000	Established Sanneng Wuxi in China
2002	Sanneng Taiwan passed the ISO-9001 international quality certification.
2004	Sanneng Wuxi purchased land for plant expansion, resulting in an increase in the land area to 12,000 pings.
2010	Established Sanneng Japan in Tokyo, Japan, with the capital of JPY 15,000 thousand dollars.
2013	Sanneng Taiwan officially moved to the new plant with an area of 1,800 pings in Dali Dist., Taichung City. The household brand “unopen”, designed to create safe food utensils for baking DIY enthusiasts, was officially launched.
2014	Substituted the CPA firm with Deloitte & Touche.
2015	Sanneng-KY was established in April.
	Sanneng Wuxi added a finishing production line, and a plastic injection and melamine production line.
	Sanneng Taiwan introduced TipTop ERP system.
	Sanneng Japan had an issuance of common stock, resulting in an increase in its capital to JPY 95,000 thousand dollars.
	Established Sanneng Indonesia in Jakarta, Indonesia.
2016	Completed the restructuring of the Group's investment structure, resulting in an increase in capital to NT\$200,000 thousand dollars.
	Sanneng-KY recapitalized its capital reserves of NT\$240,000 thousand dollars and had an issuance of common stock in the amount of NT\$100,000 thousand dollars, resulting in an increase in paid-up capital to NT\$540,000 thousand dollars.
	Sanneng Wuxi introduced TipTop ERP system.
2017	Sanneng Taiwan was approved for the “Building a high-value food appliance and manufacturing technology R&D center project” under the A+ Industrial Innovative R&D Programs launched by the Department of Industrial Technology of the Ministry of Economic Affairs.
	The Company officially applied to the Taiwan Stock Exchange for pre-listing tutoring under the stock code of 6671.
	Sanneng Taiwan had capital increased by cash, resulting in paid-in capital to NT\$146,000 thousand dollars.
	Sanneng Wuxi recapitalized its earnings, resulting in an increase in capital to US\$9,300 thousand dollars.
	Sanneng Wuxi invested in Squires with an amount of RMB 220.5 thousand dollars.
2018	Sanneng Taiwan was approved for "Program of Working with You to Construct a Good Baking Environment by Using Peace-of-Mind Food Utensils" under the International Market Development Program launched by the Bureau of Foreign Trade of the Ministry of Economic Affairs of the R.O.C.
	Stock officially issued.



Year	Company and Group History
2018	The Company had capital increased in the amount of NT\$67,500 thousand dollars by cash, resulting in an increase in its paid-in capital to NT\$607,500 thousand dollars.
	Stocks were officially listed and traded on the Taiwan Stock Exchange.
	Sanneng Wuxi recapitalized its earnings, resulting in an increase in capital to US\$17,300 thousand dollars.
	Sanneng Indonesia had capital increased in the amount of \$1,000 thousand dollars by cash, resulting in paid-in capital to \$2,500 thousand dollars.
2019	Sanneng-KY won the 2019 Award of Outstanding Taiwanese Enterprise in Mainland China as a Domestic Sales Model.
	Xinneng, with its paid-in capital increased to RMB 3,000 thousand and with 55% of its shares held by Sanneng-KY became an associated enterprise of Sanneng-KY.
2020	Squires, with its paid-in capital increased to RMB 4,490 thousand and with the shares held by Sanneng-KY raised to 51%, became an associated enterprise of Sanneng-KY.
	Sanneng Wuxi expanded for new building.
	EGI had capital increased in the amount of \$141 thousand dollars by cash, resulting in paid-in capital to \$2,141 thousand dollars.
	Sanneng-KY acquired 12% of Sanneng Indonesia's shares, making Sanneng Indonesia a 100%-owned subsidiary.
2021	Established Sanneng Guangzhou in China, Guangzhou. The shares are 100% held by Sanneng-KY and became an associated enterprise of Sanneng-KY.
	Establish the corporate governance dedicated unit and appoint the Corporate Governance Officer.
2022	Sanneng Wuxi got the intellectual property management system and ISO 50001 certifications.
2023	Sanneng Wuxi got the verification statement in accordance with ISO14064-1 which examined by a certification body (SGS).
2024	Established Sanneng Indonesia Industry in Solo City, Central Java Province, Indonesia.

### III. Structure of the Company

As of April 30, 2024



### IV. Assessment of Risks

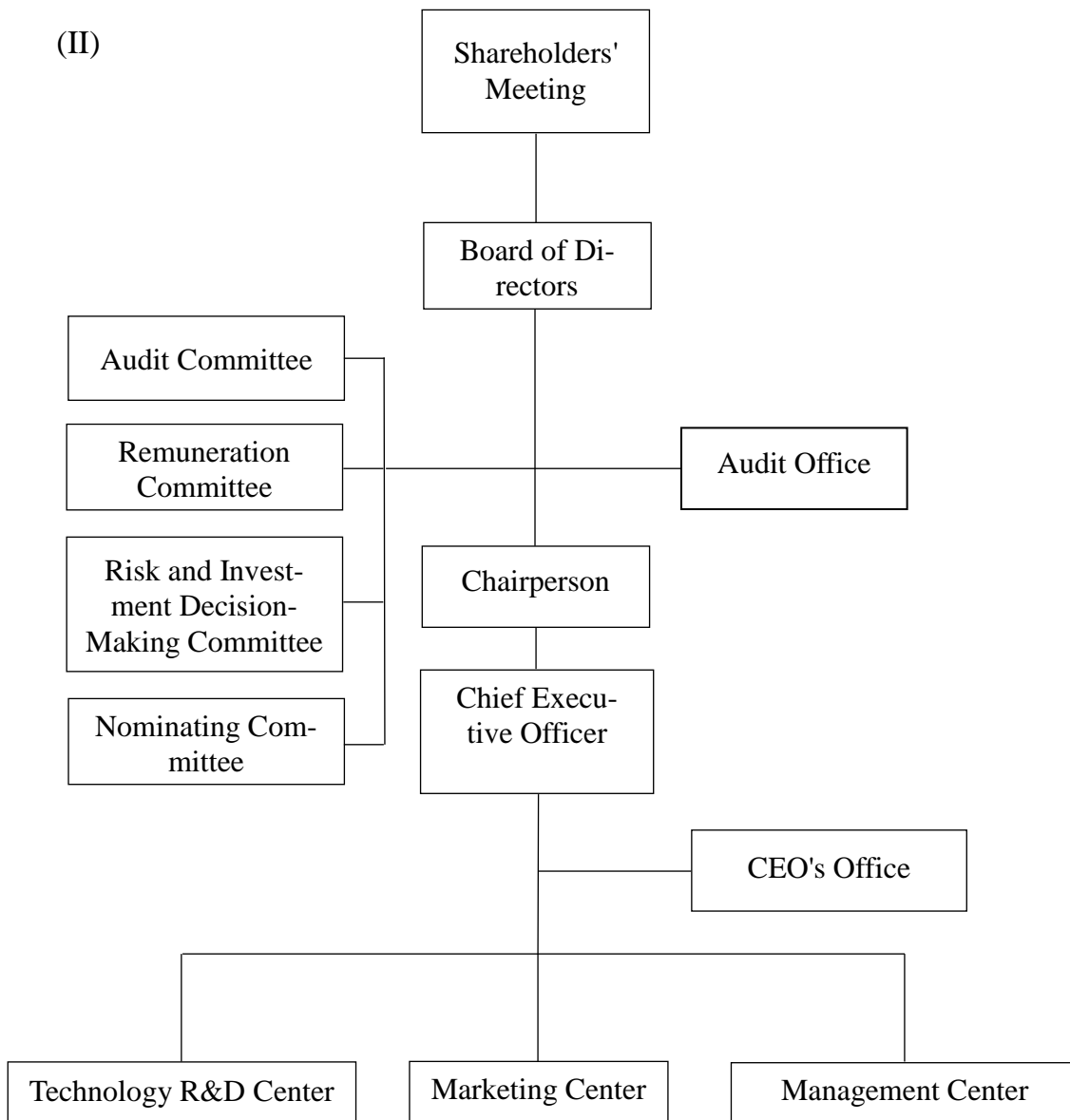
Please refer to Chapter VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks of this annual report.

# Chapter III. Corporate Governance

## I. Organizational System

### (I) Corporate Organization

### (II)



## Responsibilities and functions of major departments

Principal Departments	Business Operations
Board of Directors	The Company has planned its business operations and policies, formulated operational goals, implemented corporate governance and fulfilled corporate social responsibility, and the Company's main managers are also appointed to promote the implementation of the Company's business.
Audit Committee	The effective implementation of the Group's business and financial conditions, the appropriateness of its financial statements and effective implementation of internal controls, include: <ol style="list-style-type: none"> <li>1. Establishing or revising the degree of control of the internal control system and audit of its effectiveness;</li> <li>2. Resolutions involving matters related to the Directors' own interests;</li> <li>3. Reviewing important matters related to the review or approval of the Company;</li> <li>4. Review of financial reports.</li> </ol>
Remuneration Committee	Formulate the performance evaluation and remuneration policy, system, standards and structure for Directors and managers, and regularly assess all the remuneration and benefits of Directors and managers.
Risk and Investment Decision-Making Committee	Evaluate the risks and rewards of the Group's investments in new businesses, and provide detailed assessment information and recommendations to the Board of Directors for reference in decision making.
Nominating Committee	Set forth standard qualifications required from the Board members and senior management, review and nominate the candidates for director and the senior management based on the qualifications, and evaluate the performance of directors and the senior management adequately.
Audit Office	Ensure responsibility for evaluating for internal controls and implementation of the Company and each subsidiary , and propose suggestions, and continuously track progress.
Chief Executive Officer	Implement the Board of Directors' resolutions and the Group's internal management and its subsidiaries' performance management, and take the lead to achieve the Company's business objectives.
CEO's Office	Assist the Group CEO (the General Manager) in the promotion of business, and coordinate amongst all the various business activities of the Group and subsidiaries, to ensure the achievement of the Group's objectives and projects.
Marketing Center	The Marketing Center work is committed to enhancing the international reputation of the Sanneng brand, planning the overall sales model and direction of the Group's products, thereby assisting the subsidiaries to expand business activities in their country or region, and creating the Group's operating results. The Marketing Center has established a Marketing, International Trade, E-Commerce, and Sales function, and has the following responsibilities: Marketing: <ol style="list-style-type: none"> <li>1. Plan and integrate the annual sales policies of each company and formulate various KPIs and future development direction plans of the Company;</li> <li>2. Conduct product baking testing, recipe development and communicate with masters in the industry;</li> <li>3. Develop new channels/new markets;</li> <li>4. Communicate on foreign brand distribution marketing strategies;</li> <li>5. Promote through brand cases and brand specialists;</li> <li>6. Draw up and plan the annual product policies for each company;</li> <li>7. Analysis reports on competitors, market demand and product strategies;</li> <li>8. Promote the six major marketing strategy goals of the Marketing Center;</li> <li>9. The brand design planning includes the formulation of specifications for trademark specifications and management, print advertisement designs, exhibition designs and</li> </ol>

Principal Departments	Business Operations
	<p>packaging designs;</p> <p>10. Product image promotion, product video shooting, image advertising shooting and product feature shooting.</p> <p>International Trade:</p> <ol style="list-style-type: none"> <li>1. Participation by associations from various countries, latest news of international events and promotion of overseas exhibitions;</li> <li>2. Assist in formulating the relevant business management systems, and regulate the business process management of subsidiaries.</li> </ol> <p>E-Commerce: Responsible for the overall planning of e-commerce promotion for each company and overseas market.</p> <p>Sales:</p> <ol style="list-style-type: none"> <li>1. Formulate new product development directions and product improvements;</li> <li>2. Assist in formulating the relevant business management systems, and regulate the business process management of subsidiaries;</li> <li>3. Assist in sales for each subsidiary (regular products and customized products).</li> </ol>
Technology R&D Center	<p>R&amp;D:</p> <ol style="list-style-type: none"> <li>1. Control development project of new product and track effectiveness;</li> <li>2. Verify and practice various new processes;</li> <li>3. Implement food safety regulations and verification;</li> <li>4. Implement development plans for new materials, new processes, surface treatments, <i>etc.</i></li> <li>5. Conduct R&amp;D and application of various patents;</li> <li>6. Control the work of Annual High-Tech Enterprises;</li> <li>7. Implement product improvements;</li> <li>8. Formulate the Group's product innovation process, design standards and spread throughout subsidiaries.</li> </ol> <p>Manufacturing:</p> <ol style="list-style-type: none"> <li>1. Plan the continuous reduction of manufacturing costs (materials, labor and expenses) of the Group's manufacturing plants;</li> <li>2. Plan for all the Group manufacturing plants to ensure the operation of the quality system, and that production meets quality requirements;</li> <li>3. Plan the production management system of each manufacturing plant of the Group, to meet order delivery deadlines;</li> <li>4. Comply with the local regulations of the manufacturing plants, and plan for production facilities that meet the needs of safe production;</li> <li>5. In accordance with the actual needs of the manufacturing plants, the Group will import automated and smart devices to reduce costs and maintain consistency of product quality;</li> <li>6. Continue to make process improvements in accordance with the needs of the manufacturing plants of the Group.</li> </ol> <p>Quality assurance:</p> <ol style="list-style-type: none"> <li>1. Plan and design education and training for all employees, to implement the concept of quality assurance;</li> <li>2. Assist each subsidiary to implement and execute the quality assurance system;</li> <li>3. Assist each subsidiary in the reduction of quality costs;</li> <li>4. Comply with the local regulations applicable to subsidiaries, and plan the guidelines and inspections for safe food production.</li> </ol>
Management Center	<p>Supervise all the Company's logistics support activities, including human resources, logistics management, information management and financial management processes, ensuring they are in place to facilitate the smooth development of the Company's main operational activities, and to achieve all the Company's short-term, mid-term and long-term business objectives. The management center is responsible for the following:</p> <p>Human resources:</p>

Principal Departments	Business Operations
	<ol style="list-style-type: none"> <li>1. According to the development vision of the Group, identify key talents with potential within the Group, plan and design suitable training blueprints and development paths and build a complete talent echelon;</li> <li>2. Formulate various human resources development policies and assist subsidiaries in implementing and realizing the detailed rules and regulations governing personnel;</li> <li>3. Ensure the implementation of the Group's manpower process planning for remuneration, bonus and performance evaluation, and to recognize and retain employees;</li> <li>4. Establish the Group's corporate culture, and shape an atmosphere and learning behavior of a learning organization within the Group;</li> <li>5. Manage and control the latest human resources status of the Group, and prepare various human resources reports, including personnel changes, personnel costs, salary analysis, training costs, <i>etc.</i></li> <li>6. Ensure that subsidiaries selection, training, use, and retention processes and procedures, create the Company's excellent brand image.</li> </ol> <p>Logistics management:</p> <ol style="list-style-type: none"> <li>1. Carry out market evaluation and trend analysis of purchased materials, propose relevant procurement strategies and implementation of proposed solutions;</li> <li>2. Assist subsidiaries to establish mechanisms for developing, assessing and assisting suppliers, and plan the supplier performance management system;</li> <li>3. Establish the Group's procurement management system and strategic planning, to carry out monitoring controls and performance efficiency analysis;</li> <li>4. Integrate the relevant operating statements of the logistics to coordinate the consistency and analysis data of the subsidiary reports' and their underlying data sources;</li> <li>5. Carry out standard cost analysis and comparison of each subsidiary, plan the optimum way of product supply and carry out review, control and benefit analysis;</li> <li>6. Evaluate the effectiveness of inventory: assist the planned inventory control operations, analyze and predict inventory turnover, and reserve inventory ratio, and other reasonable requirements;</li> <li>7. Analyze abnormal OOS: Assist each subsidiary in the statistics of the cause for OOS, carry out analysis and planning, and propose the optimal production plan operation mode;</li> <li>8. Plan for warehousing operations: Assist subsidiaries to purchase, enter storage, warehousing, retrieving inventory, packaging, shipments, and returns processes, and provide relevant suggestions;</li> <li>9. Manage relevant shipping and distribution transportation vehicle service selection evaluation (<i>e.g.</i>, evaluation analysis of cost/rate, time, area, security, capacity, convenience, <i>etc.</i>)</li> </ol> <p>Information management:</p> <ol style="list-style-type: none"> <li>1. Use information technology to support the operation of each business unit of the Company and meet need for information use of each business unit;</li> <li>2. Formulate InfoSec strategies, assess InfoSec risks, and respond to InfoSec incidents, ensuring that enterprise information assets are protected from attacks or theft.</li> <li>3. The integration of information and establishment of decision-making platforms, combining the concept of information technology and continuously developing, optimizing the Company's processes and procedures for improving the Company's efficiency, and provide optimized platforms for cost reduction and information security;</li> <li>4. Responsible for overall information project planning, formulating projects and work budgeting and plans;</li> <li>5. Find problems and solve abnormalities in the implementation of the information system, to ensure the correctness of system data;</li> <li>6. Cooperate in any ongoing or pending work or any case involving any part of the information system and provide reasonable advice;</li> <li>7. Plan the upgrade procurement plan and configuration plan of software and hardware</li> </ol>

Principal Departments	Business Operations
	<p>equipment requirements related to the Company's information system.</p> <p>Financial management:</p> <ol style="list-style-type: none"> <li>1. Plan the short, medium and long-term funding sources according to the needs of various development strategies of the Group;</li> <li>2. Formulate financial and accounting policies of subsidiaries, to assist subsidiaries in the implementation and realization to comply with the Group's regulations, and to comply with local laws and regulations applicable to the subsidiaries;</li> <li>3. Carry out financial analysis of various investment decisions as needed for various development strategies of the Group;</li> <li>4. According to the exchange rate and loan position of each subsidiary of the Group, analyze and provide exchange rate and interest rate risks and take necessary hedging measures;</li> <li>5. Regularly review the Group's financial settlements and performance analysis, and comply with the laws and regulations to provide/announce financial information disclosure to the competent authority and external investors for reference;</li> <li>6. Conduct financial performance analysis for the Group on a regular basis and provide financial information as reference for the internal management to make decisions;</li> <li>7. In accordance with the Group's development goals, lead the Group's annual budget planning, and coordinate the budget preparation operations of its subsidiaries, then report the Group's budget to the Board of Directors for review;</li> <li>8. Implement corporate governance tasks, and as by law required convene the relevant meetings of functional committees, the Board of Directors and shareholders' meetings;</li> <li>9. Provide financial and business information that shall be disclosed as announced by the law on a regular basis and from time to time, as reference for competent authorities and external investors.</li> </ol>

II. Background Information on Directors, General Managers, Vice General Managers, Assistant Managers and Heads of Various Departments and Branches

(I) Board Directors' names, education and work experience, shareholdings and nature thereof:

1. Board Directors' Information

April 22, 2024; Unit: Thousand shares; %

Title	Nationality	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Professional Qualification Worked Experiences	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson	R.O.C	Chang, Jui-Jung	Male 66~70	2023.6.20	3	2016.4.30	498	0.82	498 (Note 1)	0.82	1	-	3,603 (Note 1)	5.93	<b>Education and Professional Qualification</b> Asia University College of Management EMBA Program <b>Worked Experiences</b> General Manager, Sanneng Taiwan General Manager, Sanneng Wuxi Chairperson, Sanneng Japan Supervisor, SINMAG Equipment Corporation	CEO, the Company. Chairperson, EGI Chairperson, Sanneng Hong Kong Chairperson, Sanneng Taiwan Chairperson, Sanneng Wuxi Chairperson, Sanneng Indonesia Chairperson, Sanneng Indonesia Industry Director, SINMAG Equipment Corporation Chairperson, Jui Jung International Limited	Director and Marketing Center Director	Chang, Chih-Hao	Father and son	-
Director	R.O.C	Hsieh, Shun-Ho	Male 71~75	2023.6.20	3	2017.7.25	-	-	-	-	154	0.25	4,062 (Note 2)	6.69	<b>Education and Professional Qualification</b> Tung Hai Senior High School <b>Worked Experiences</b> General Manager, Sheng Chia Industrial Co., Ltd. CEO, SINMAG Equipment Corporation General Manager, SINMAG Equipment (China) Co., Ltd.	Director, Sanneng Taiwan Director, Sanneng Indonesia Director, Sanneng Indonesia Industry Chairperson and General Manager, SINMAG Equipment Corporation Chairperson, SINMAG Equipment (China) Co., Ltd. Chairperson, SINMAG Fitting Corporation Chairperson, SINMAG BAKERY MACHINE INDIA PRIVATE LIMITED Chairperson, SINMAG BAKERY EQUIPMENT SDN. BHD Chairperson, Greater Win Holdings Limited	-	-	-	-



Title	Nationality	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Professional Qualification Worked Experiences	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title	
															Chairperson, Ximai Enterprises Management (Wuxi) Co., Ltd. Chairperson, SINMAG LIMITED Chairperson, LUCKYUNION LIMITED					
Director	R.O.C	Chen, Lai-Chun	Female 60-65	2023.6.20	3	2017.7.25	-	-	-	-	-	-	3,631 (Note 3)	5.98	<b>Education and Professional Qualification</b> Shin Min High School <b>Worked Experiences</b> General Manager, Sanneng Taiwan General Manager, Sanneng Wuxi	Supervisor, Sanneng Taiwan Supervisor, Sanneng Wuxi Supervisor, Sanneng Japan Chairperson, Beauty Joy Holdings Limited	-	-	-	-
Director	R.O.C	Tsai, Feng-Lung	Male 56-60	2023.6.20	3	2017.7.25	100	0.16	100 (Note 4)	0.16	1,009	1.66	2,718 (Note 4)	4.47	<b>Education and Professional Qualification</b> Youth Senior High School <b>Worked Experiences</b> Vice Director of Technology R&D Center, The Company Vice General Manager, Sanneng Taiwan	Director, Sanneng Taiwan Chairperson, Feng Lung International Limited	-	-	-	-
Director	R.O.C	Hsiao, Kai-Feng	Male 56-60	2023.6.20	3	2023.6.20	116	0.19	116	0.19	-	-	-	-	<b>Education and Professional Qualification</b> Master's degree, Graduate Institute of Business Management, National Chung Cheng University <b>Worked Experiences</b> CFO, Audit Compliance Manager, Special Assistant to the General Manager, Chin Fong Machine Industrial Co., Ltd. Chairperson, Chen Xin Biotechnologies Co., Ltd. Supervisor and Director, SINMAG Equipment Corporation Special Assistant to the General Manager,	Director, Sanneng Wuxi Chairperson, Sanneng Japan Supervisor, Sanneng Indonesia Supervisor, Sanneng Indonesia Industry Supervisor, Your Choice Fasteners & Tools Co., Ltd. Supervisor, Xinneng Director, Squires Director, Sanneng Guangzhou	-	-	-	-

Title	Nationality	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Professional Qualification Worked Experiences	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note	
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name
															Vice General Manager, Your Choice Fasteners & Tools Co., Ltd.						
Director	R.O.C	Chang, Chih-Hao	Male 36-40	2023.6.20	3	2020.6.19	312	0.51	312 (Note 5)	0.51	-	-	2,921 (Note 5)	4.81	<b>Education and Professional Qualification</b> Asia University College of Management EMBA Program <b>Worked Experiences</b> Manager of International Trade and Special Assistant to the General Manger, Sanneng Taiwan	Marketing Director, The Company Director, Sanneng Japan Chariman and General Manager, Squires Chairperson, Xinneng Chairperson, Uniware International Limited Chairperson, Sanneng Guangzhou Director, Sanneng Wuxi Special Assistant to the chairperson	Chairperson	Chang, Jui-Jung	Father and son	-	
Independent Director	R.O.C	Huang, Chen-Yen	Male 76-80	2023.6.20	3	2017.7.25	-	-	-	-	-	-	-	-	<b>Education and Professional Qualification</b> Department of Business Management, Feng Chia University <b>Worked Experiences</b> Senior Engineer MIRDC, Metal Industries Research & Development Centre Vice Manager, Tai Yi Textiles Knitting Co., Ltd. Assistant Manager, Ming Chou Industrial Co., Ltd.						
Independent Director	R.O.C	Chen, Shuei-Jin	Male 56-60	2023.6.20	3	2017.7.25	-	-	-	-	-	-	-	-	<b>Education and Professional Qualification</b> Department of Accounting, Soochow University MBA Program, National Chung Cheng University <b>Worked Experiences</b> Professional CPA, Deloitte & Touche	Professional CPA and Managing Partner, Yuen Sheng CPA Firm Independent Director and Remuneration Committee member, Cheng Shin Rubber Ind. Co., Ltd. Independent Director and Remuneration Committee member, Merida Industry Co., Ltd Supervisor, LINCO Technology Co., Ltd.					

Title	Nationality	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Professional Qualification Worked Experiences	Selected Current Positions at the Company and Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Independent Director and Remuneration Committee member, Acelon Chemicals & Fiber Co., Ltd. Director, Taiwan Paiho Limited					
Independent Director	R.O.C	Shih, Kuen-Ho	Male 56-60	2023.6.20	3	2023.6.20	-	-	-	-	-	-	-	-	<b>Education and Professional Qualification</b> Master Degree in Agricultural Chemistry, National Taiwan University <b>Worked Experiences</b> Instructor, chief, deputy director, China Grain Products Research & Development Institute Researcher in Lucky Enterprise Co. Secretary General in Taiwan Association for Food Science and Technology Chairperson, Taiwan Association for Food Science and Technology	Director, China Grain Products Research & Development Institute Director, Total Quality Food Association Supervisor, International Life Sciences Institute - Taiwan Supervisor, Taiwan Vanilla Co., Ltd.	-	-	-	-

Note 1: The chairperson of the Board, Chang, Jui-Jung, owns 100% of Jui Jung International Limited which holds 3,603 thousand shares of the Company, and directly holds 498 thousand shares, for a total of 6.75% of the shares of the Company.

Note 2: Board Director, Hsieh, Shun-Ho, owns 100% of Greater Win Holdings Limited which holds 4,062 thousand shares of the Company, for a total of 6.69% of the shares of the Company.

Note 3: Board Director, Chen, Lai-Chun, owns 100% of Beauty Joy Holdings Limited which holds 3,631 thousand shares of the Company, for a total of 5.98% of the shares of the Company.

Note 4: Board Director, Tsai, Feng-Lung, owns 100% of Feng Lung International Limited which holds 2,718 thousand shares of the Company, and directly holds 100 thousand shares, for a total of 4.64% of the shares of the Company.

Note 5: Board Director, Chang, Chih-Hao, owns 100% of Uniware International Limited which holds 2,921 thousand shares of the Company, and directly holds 312 thousand shares, for a total of 5.32% of the shares of the Company.

2. Names of entities for institutional directors which are major shareholders (within the top 10 shareholders) and their percentage of shareholdings: None.

### 3. Board Directors' Information

#### (1) Directors' professional qualification and independent directors' status of independence

Name	Criteria	Professional Qualification and Experience	Directors' Independence Status	Number of Taiwanese Public Companies Concurrently Serving as an Independent Director
Chang, Jui-Jung		For Directors' professional qualification and experience, please refer to pages 20-23 of this Annual Report.  None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)	Not Applicable	0
Hsieh, Shun-Ho				0
Chen, Lai-Chun				0
Tsai, Feng-Lung				0
Hsiao, Kai-Feng				0
Chang, Chih-Hao				0
Huang, Chen-Yen				All of the following situations apply to each and every of the Independent Directors: 1.Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau 2.Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"
Chen, Shuei-Jin		3		
Shih, Kuen-Ho		0		

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. if she/he does not have any or limited legal capacity; or

7. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2. Not serving concurrently as an independent director on more than three other public companies in total.

3. During the two years before being elected and during the term of office, meet any of the following situations:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates;
- (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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairperson or CEO (or equivalent) themselves or their spouse also serve as the company's chairperson or CEO (or equivalent);
- (8) Not a director, supervisor, officer, 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; and
- (9) Other than serving as a remuneration committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

## (2) Diversification and Independence of Board of Directors:

### A. Diversification of Board of Directors:

- In light of the increasing diversity of the responsibilities of the Board of Directors and in order to continue the balanced development of business operations, enhance operational performance and management efficiency, the Company has formulated the "Corporate Governance Best Practice Principles" in the third meeting convened by the 1st term of the Board of Directors on July 25, 2017. On Article 20, Chapter III "Strengthening Board Functions" of the Principles, the diversification objective in nominating directors has been specified. The Company evaluates the eligibility of the Board members from various dimensions and aspects which include but not limited to gender, age, culture and academic backgrounds, race, professional experience, technique and knowledge or field of work. All Board appointments are based on meritocracy, and candidates will be considered objectively, having due regard for the benefits of diversity on the Board.

The nomination and selection of members of the Board of Directors of our Company are conducted in accordance with the provisions of the Company's Articles of Incorporation and using a candidate nomination system. In addition to assessing the qualifications and experience of each candidate, we also consider the views of stakeholders and adhere to "the Procedures for Election of Directors and Supervisors" and "the Corporate Governance Best Practice Principles" to ensure the diversity and independence of the board members.

- Among the Company's 9 Board members in the 4th term of the Board of Directors, 6 of whom are general directors. One of the general directors, Chen, Lai-Chun, is

female and is equipped with bakeware management experiences as well as expertise in financial and accounting management. Other directors who are equipped with management experiences and bakeware industry knowledge include Hsieh, Shun-Ho and Chang, Chih-Hao; directors who are equipped with bakeware management and professional knowledge include Chang, Jui-Jung, Tsai, Feng-Lung, Hsiao, Kai-Feng, and Chang, Chih-Hao. Director Hsieh, Shun-Ho is familiar with professional baking material knowledge, while Chang, Jui-Jung, Tsai, Feng-Lung, and Hsieh, Shun-Ho are all knowledgeable on professional production quality and R&D. The Company's three independent directors all come from different fields and expertise. In particular, independent director Huang, Chen-Yen is skilled in production management and quality system; Chen, Shuei-Jin has a professional CPA license and is proficient in financial accounting and business laws; while independent director Shih, Kuen-Ho serves on the board of the China Grain Products Research & Development Institute. His past roles include serving as a member and evaluator for the Baking Food Vocational Examination Committee, and as a judge for both national and international bread competitions. His comprehensive understanding of the baking industry has allowed him to establish professional networks and accumulate experience across all facets of the industry, from production to distribution. Additionally, he has provided mentorship to a significant number of baking professionals and business owners in Taiwan. The three independent directors have made significant contributions to the Company whether in terms of manufacturing quality system, financial and accounting legal compliance, and industry development trends.

The diversity of the Board members' industrial experience, professional expertise and academic backgrounds allow them to provide professional advice from a variety of aspects, which greatly enhances the business management of the Company.

- The ratio of directors who concurrently serve as employees of the Company is 22%; the ratio of independent directors to all directors is 33%; while the ratio of female directors is 11%. The Company pays attention to gender equality in the composition of the Board of Directors, and the ratio of female directors will gradually increase over the years with the goal of achieving a 30% ratio or above.

It can be seen from the table below that the core of diversity of the Board of Directors consists of two major components, which are industry experience and professional expertise. The industry-specific experience includes experiences in areas of bakery ingredients, baking equipment, and bakeware; while the professional expertise includes accounting, law, production quality and quality, and technical R&D. The Company has an even distribution across all of the aforementioned aspects, showing implementation diversity in the Board's composition.

Diversification Title Name	Gender	Staff	Age				Seniority as An Independent Director of the Company			Baking Equipment	Baking Utensils	Baking ingredients	Baking Product	Accounting	Law	Production Quality	R&D
			<50	50   60	61   70	71   80	<3	3   9	>9								
Director Chang, Jui-Jung	Male				V					V					V	V	
Director Hsieh, Shun-Ho	Male					V			V		V				V	V	
Director Chen, Lai-Chun	Female			V						V			V				
Director Tsai, Feng-Lung	Male			V						V					V	V	
Director Hsiao, Kai-Feng	Male	V		V						V			V	V			
Director Chang, Chih-Hao	Male	V	V						V	V		V					
Independent Director Chen, Shuei-Jin	Male			V				V					V	V			
Independent Director Huang, Chen-Yen	Male							V	V						V		
Independent Director Shih, Kuen-Ho	Male				V		V		V	V	V	V				V	

B. Independence of Board of Directors: The nomination and election of members of the Company’s Board of Directors is conducted in accordance with the Articles of Incorporation, wherein a candidate nomination system is adopted. In addition to the evaluation of the education background and work experience of candidates, stakeholders' opinions are also taken into consideration in accordance with “Procedures for Election of Directors” and “Corporate Governance Best Practice Principles”, in order to ensure the diversity and independence of members of the Board of Directors.

(II)General Manager, Vice General Manager, Assistant Managers, and Supervisors of various branch organizations

April 22, 2024; Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO (General Manager)	R.O.C.	Hsiao, Kai-Feng	Male	2016.4.30	116	0.19	-	-	-	-	<b>Education and Professional Qualification</b> Master’s degree, Graduate Institute of Business Management, National Chung Cheng University  <b>Worked Experiences</b> CFO, Audit Compliance Manager, Special Assistant to the General Manager, Chin Fong Machine Industrial Co., Ltd. Chairperson, Chen Xin Biotechnologies Co., Ltd. Supervisor and Director, SINMAG Equipment Corporation Special Assistant to the General Manager, Vice General Manager, Your Choice Fasteners & Tools Co., Ltd.	Director, Sanneng Wuxi Chairperson, Sanneng Japan Supervisor, Sanneng Indonesia Supervisor, Sanneng Indonesia Industry Supervisor, Your Choice Fasteners & Tools Co., Ltd. Supervisor, Xinneng Director, Squires Director, Sanneng Guangzhou	-	-	-	-
Technology R&D Center Director	R.O.C.	Hsu, Ching-Ho	Male	2019.4.1	21	0.03	-	-	-	-	<b>Education and Professional Qualification</b> Master’s degree, Graduate Institute of Business Management, National Chung Cheng University  <b>Worked Experiences</b>	Vice General Manager, Sanneng Taiwan	-	-	-	-



Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Asst. Manager for the Quality Assurance Department, Factory Manager, Marketing Manager, R&D Technician, Chin Fong Machine Industrial Co., Ltd. Vice General Manager, Your Choice Fasteners & Tools Co., Ltd. Vice General Manager, Turvo International Co., Ltd. Factory Manager, ALFOT Technologies Co., Ltd.					
Marketing Center Director	R.O.C.	Chang, Chih-Hao	Male	2016.9.1	312 (Note 1)	0.51	-	-	2,921 (Note 1)	4.81	<b>Education and Professional Qualification</b> Asia University College of Management EMBA Program <b>Worked Experiences</b> International Trade Department Manager and Special Assistant to the General Manger Sanneng Taiwan	Director, Sanneng Japan Chairperson and General Manager, Squires Chairperson, Xinneng Chairperson, Uniware International Limited Chairperson, Sanneng Guangzhou Director, Sanneng Wuxi Assistant to the Chairperson, Sanneng Wuxi	Management Center Director	Chang, Hsin-Yi	Sister and Brother	-
Management Center Director	R.O.C.	Chang, Hsin-Yi	Female	2024.1.1	791 (Note 2)	1.30	-	-	499 (Note 2)	0.82	<b>Education and Professional Qualification</b> Department of Business Administration, National Taichung University of Science and Technology <b>Worked Experiences</b> Chairperson, Sanneng Taiwan General Manger, Sanneng Taiwan	Chairperson and General Manager, Sanneng Taiwan Director, Xinneng Supervisor, Sanneng Guangzhou Chairperson, lanware International Limited	Marketing Center Director	Chang, Chih-Hao	Sister and Brother	-
Audit Office Compliance Manager	R.O.C.	Lai, Shih-Tung	Male	2016.4.30	127	0.21	-	-	-	-	Master's degree, Graduate Institute of Finance, National Chung Cheng University Finance Department Manager, Chin Fong Machine Industrial Co., Ltd. Vice General Manager of Finance, Forworld Electronics Co., Ltd. Vice General Manager, Kunshan Factory, Chang Yee Steel Co., Ltd. Special Assistant to the Chairperson, Wei Sheng Industrial Co., Ltd.	-	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Special Assistant to the Chairperson, UJEN Dev. Co., Ltd.					

Note 1: Chang, Chih-Hao, owns 100% of Uniware International Limited, which holds 2,921 thousand shares of the Company, and directly holds 312 thousand shares, for a total of 5.32% of the shares of the Company.

Note 2: Chang, Hsin-Yi, owns 100% of Ianware International Limited, which holds 499 thousand shares of the Company, and directly holds 791 thousand shares, for a total of 2.12% of the shares of the Company.

### III. Remunerations paid to directors, general managers and vice general managers in recent years

#### (I) Remuneration paid to Directors (including independent directors) for the most recent year (2023)

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)								
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	Cash	Stock		The company	Companies in the consolidated financial statements
Chairperson	Chang, Jui-Jung	1,899	2,260	-	-	3,509	3,509	-	-	5,408	5,769	4,726	8,729	-	-	2,578	-	2,578	-	12,712	17,076	-
Director	Hsieh, Shun-Ho																					
Director	Chen, Lai-Chun																					
Director	Tsai, Feng-Lung																					
Director	Chang, Jui-Ching (Note 1)																					
Director	Chang, Chih-Hao																					
Director	Hsiao, Kai-Feng (Note 2)	-	-	-	-	1,858	1,858	-	-	1,858	1,858	-	-	-	-	-	-	-	1,858	1,858	-	
Independent Director	Huang, Chen-Yen																					
Independent Director	Wu, Chao-Fu (Note 1)																					
Independent Director	Chen, Shuei-Jin																					
Independent Director	Shih, Kuen-Ho (Note 2)																					

1. Directors and Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent: : The remuneration payment policy, system, standards and structure of general directors and independent directors of the company, and according to the responsibilities, risks, time invested and other factors, the relevance and amount of remuneration are described as follows:

- (1) According to the provisions of Article 71 of the company's articles of association, the remuneration of directors can be different. Regardless of the company's profit or loss, the board of directors can give it every year according to the following factors: ① the degree of participation in the company's operations; ② the value contributed by the company; ③ refer to the normal level of the industry; and ④ other relevant factors.
- (2) According to the provisions of Article 101 of the company's articles of association, no more than 5% of the annual profit shall be allocated to directors' remuneration.
- (3) According to Article 6 of the Organizational Regulations of the Compensation and Remuneration Committee of the Company: the performance evaluation and remuneration of directors, supervisors and managers should refer to the normal level of support from the same industry, and consider the time and responsibility of the individual responsibilities, achievement of personal goals, performance of other positions, salaries paid by the company for the same position in recent years, and the company's short-term and long-term business goals, the company's financial status, etc. The assessment of the relationship between personal performance and the company's operating performance and future risks is reasonable. Because the independent directors also serve as members of a functional committee, and are required to participate in the discussion and resolution of various proposals in

accordance with the organizational rules of each functional committee, their remuneration is higher than that of general directors.

2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as non-employee consultants and others) other than disclosed in the table above: None.

Note1: Directors Chang, Jui-Ching and Independent Director Wu, Chao-Fu were relieved of their duties on June 20, 2023; hence the duration of directors' remuneration paid to these two directors were from January 1, 2023 to June 19, 2023, while their compensations for serving as concurrent employees were paid from January 1, 2023 to June 30, 2023.

Note2: Directors Hsiao, Kai-Feng and Independent Director Shih, Kuen-Ho assumed their positions on June 20, 2023, hence the duration of directors' remuneration paid to these two directors were from June 20, 2023 to December 31, 2020, while their compensations for serving as concurrent employees were paid from January 1, 2023 to December 31, 2023.

Table of Remuneration Range for Directors

Range of Remuneration Paid to Each Director	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
NT\$ 0 ~ NT\$ 999,999	Hsieh, Shun-Ho, Chen, Lai-Chun, Tsai, Feng-Lung, Chang, Jui-Ching, Chang, Chih-Hao, Hsiao, Kai-Feng, Huang, Chen-Yen, Wu, Chao-Fu, Chen, Shuei-Jin, Shih, Kuen-Ho	Hsieh, Shun-Ho, Chen, Lai-Chun, Tsai, Feng-Lung, Chang, Jui-Ching, Chang, Chih-Hao, Hsiao, Kai-Feng, Huang, Chen-Yen, Wu, Chao-Fu, Chen, Shuei-Jin, Shih, Kuen-Ho	Hsieh, Shun-Ho, Chen, Lai-Chun, Tsai, Feng-Lung, Chang, Jui-Ching, Huang, Chen-Yen, Wu, Chao-Fu, Chen, Shuei-Jin, Shih, Kuen-Ho	Hsieh, Shun-Ho, Chen, Lai-Chun, Tsai, Feng-Lung, Chang, Jui-Ching, Huang, Chen-Yen, Wu, Chao-Fu, Chen, Shuei-Jin, Shih, Kuen-Ho
NT\$1,000,000 ~ NT\$1,999,999	Chang, Jui-Jung	Chang, Jui-Jung	Chang Chih-Hao	-
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-	Hsiao, Kai-Feng	Chang Chih-Hao, Hsiao, Kai-Feng
NT\$5,000,000 ~ NT\$9,999,999	-	-	Chang, Jui-Jung	Chang, Jui-Jung
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	11 (Note)	11 (Note)	11 (Note)	11 (Note)

Note: The Company held general re-elections of directors on June 20, 2023, hence the Company had 11 directors as of 2023.

## (II) Remuneration paid to the General Manager and Vice General Manager in the most recent fiscal year (2023)

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay(B)		Bonuses and Allowances(C)		Employee Compensation(D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Received from Non-consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO (Note 1)	Chang, Jui-Jung	2,743	3,372	-	-	475	561	904	-	904	-	4,122 2.35%	4,837 2.75%	-
Vice CEO and Management Center Director (Note 1.2)	Hsiao, Kai-Feng	1,682	2,658	-	-	283	359	1,673	-	1,673	-	3,638 2.07%	4,690 2.67%	-
Marketing Center Director	Chang, Chih-Hao	1,228	2,410	-	-	214	1,389	-	-	-	-	1,442 0.82%	3,799 2.16%	-
Technology R&D Center Director	Hsu, Ching-Ho	937	1,794	-	-	128	228	1,216	-	1,216	-	2,281 1.30%	3,238 1.84%	-

Note 1: Mr. Chang, Jui-Jung was relieved of the CEO position, and Mr. Hsiao, Kai-Feng was appointed to be acting CEO, effective July 1, 2023.

Note 2: Mr. Hsiao, Kai-Feng was promoted to CEO, effective January 1, 2024.

Table of range of remuneration

Range of Remuneration Paid to the General Managers and Vice General Managers of the Company	Names of General Managers and Vice General Managers	
	The company	Companies in the consolidated financial statements
NT\$ 0 ~ NT\$ 999,999	-	-
NT\$1,000,000 ~ NT\$1,999,999	Chang, Chih-Hao	-
NT\$2,000,000 ~ NT\$3,499,999	Hsu, Ching-Ho	Hsu, Ching-Ho
NT\$3,500,000 ~ NT\$4,999,999	Hsiao, Kai-Feng ; Chang, Jui-Jung	Chang, Chih-Hao ; Hsiao, Kai-Feng ; Chang, Jui-Jung
NT\$5,000,000 ~ NT\$9,999,999	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Over NT\$100,000,000	-	-
Total	4	4

(III) Latest fiscal year (2023) names of managers determining employees' compensation and distribution status

	Job title	Name	Stock (Fair Market Value)	Cash	Total	Ratio of Total Amount to Net Income
Executive Officers	CEO (Note1)	Chang, Jui-Jung	-	4,866	4,866	2.77%
	Vice CEO and Management Center Director (Note 1.2)	Hsiao, Kai-Feng				
	Director, Technology R&D Center	Hsu, Ching-Ho				
	Director, Marketing Center	Chang, Chih-Hao				
	Compliance Manager	Lai, Shih-Tung				
	Corporate Governance Officer	Chen, Liu-Yu				

Note1: Mr. Chang, Jui-Jung was relieved of the CEO position, and Mr. Hsiao, Kai-Feng was appointed to be acting CEO, effective July 1, 2023.

Note2: Mr. Hsiao, Kai-Feng was promoted to CEO, effective January 1, 2024.

(IV) Provide a comparative explanation and analysis for total remuneration paid to the Company's Directors, Supervisors, General Manager, and Vice General Manager in the most recent two years as a percentage of net income after tax (NIAT) of any entity or individual financial statements as stated in the Company's financial statements and consolidated financial statements, and the effects of the remuneration policy, standards, and combinations, the processes and procedures for determination of remuneration, and relation to operational efficacy and future risks.

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Annual remuneration	2022		2023	
	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)		Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	
Personal Status category	The company	All companies listed in this consolidated financial report	The company	All companies listed in this consolidated financial report
Directors, General Manager and Vice General Manager	10.36%	13.35%	9.60%	12.49%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

The Company has already established a Remuneration Committee, which is responsible for establishing and periodically reviewing Directors' and managers' performance efficacy and salary compensation and remuneration policies, system, standards and structure, while concomitantly evaluating and determining Director and manager salaries and remuneration. The performance evaluation has been assigned to the financial department of the Management Center and internal surveys have been adopted. The evaluation consists of four parts, including operation of the Board, the extent of participation in the Board, operation of the Remuneration Committee and operation of the Audit Committee. The Directors of the Board are asked to assess the Board operations and their participation in the Board while the members of the Remuneration Committee and the Audit Committee are asked to evaluate the operations of the Committee on which they serve. Pursuant to Article 9 of the evaluation rules, when electing or nominating members of the Board of Directors, the Company shall base its election on the evaluation results of the performance of the Board and shall base its determination of individual Directors' remuneration on the evaluation results of their performance along with their positions in the Company, the extent of participation in and contribution to the operation of the Company. The remuneration of the General Manager is determined based on the position, the extent of contribution to the Company and comparable standards in the industry and is processed according to the Company's personnel regulations.

The finance department of the management center of the Company carried out an analysis in accordance with the "Performance evaluation of the Board of Directors" and reported the results to the Board of Directors and proposed improvement measures in response to opinion of the Directors to reduce future operation risks. In accordance with Article 10 of the Rules, the Company is advised to disclose in its annual report whether it has formulated procedures to

evaluate the performance of the Board, and that the method and results of the annual performance evaluation of the Board shall be described. Pursuant to Article 11, the Company's performance evaluation methods shall be fully disclosed on the Market Observation Post System and the Company's website for reference for the competent authority and investors.

#### IV. Status of Corporate Governance

##### (I) Board Meetings' Implementation Status:

The Board of Directors held 9 meetings (A) in the most recent year of 2023, through to April 30, 2024. The attendance of Directors of the Board was as follows:

Job title	Name	Times actually attending (B)	Times in Attendance by Proxy	Actual attendance rate (%) (B/A)	Remarks
Chairperson	Chang, Jui-Jung	9	0	100%	Reelected on June 20, 2023
Director	Hsieh, Shun-Ho	9	0	100%	Reelected on June 20, 2023
Director	Chen, Lai-Chun	9	0	100%	Reelected on June 20, 2023
Director	Tsai, Feng-Lung	9	0	100%	Reelected on June 20, 2023
Director	Chang, Jui-Ching	2	0	100%	Chang, Jui-Ching, who completed his tenure on June 20, 2023
Director	Chang, Chih-Hao	8	1	90%	Reelected on June 20, 2023
Director	Hsiao, Kai-Feng	7	0	100%	Hsiao, Kai-Feng, who was elected on June 20, 2023
Independent Director	Chen, Shuei-Jin	9	0	100%	Reelected on June 20, 2023
Independent Director	Wu, Chao-Fu	1	1	50%	Wu, Chao-Fu, who completed his tenure on June 20, 2023
Independent Director	Huang, Chen-Yen	9	0	100%	Reelected on June 20, 2023
Independent Director	Shih, Kuen-Ho	7	0	100%	Shih, Kuen-Ho, who was elected on June 20, 2023

Other required disclosure:

- I. The date of the board meeting, the term, content of the proposals, opinion of all Independent Directors, and the Company's handling of the opinion of Independent Directors shall be recorded for any of the following circumstances affecting operations of the Board of Directors' meetings:
  - (I) Matters listed in Article 14-3 of the Securities and Exchange Act.
  - (II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.



Board of Directors	Proposal Contents and Follow-up Actions	Matters listed in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
2023.03.22	1. Approved the Company's 2022 consolidated financial statements, business reports and various accounting and settlement reports.	V	None
	2. Approved the Company's 2022 annual distribution of earnings.	V	None
	3. Approved the distribution of the Company's 2022 director's remuneration and employee remuneration.	V	None
	4. Approved the proposal for evaluation on design and effectiveness of execution of the Company's 2022 internal control system, and issuance of the "Declaration of Statement for Internal Control System."	V	None
	5. Amendment to the Company's "Articles of Incorporation".	V	None
	6. Approved to proposal for the policy of non-assurance services provided by the audit firm to The Company.	V	None
	Opinions of Independent Directors: None.		
	Approved the Company's 2022 consolidated financial statements, business reports and various accounting and settlement reports.		
Approved the Company's 2022 annual distribution of earnings.			
2023.05.09	1. Approved the Company's consolidated financial statements for the first quarter of 2023.	V	None
	2. Re-purchase of non-controlling interests of sub-subsidiary.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
Resolution: All Directors present voted in favor of the proposal.			
2023.06.20 (Interim)	1. Approved the election of the Chairperson of the 4th term of the Board.	V	None
	2. Approved the appointment of members for the 3rd Audit Committee.	V	None
	3. Approved the appointment of members of the 3rd Remuneration Committee.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2023.06.30	1. Transfer of the management of the Company and its subsidiaries.	V	None

Board of Directors	Proposal Contents and Follow-up Actions	Matters listed in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
	2. Approved the appointment of the Company's CEO.	V	None
	3. Approved the appointment of the Company's financial officer and accounting officer.	V	None
	4. Approved the re-appointment of directors and supervisors to the Company's investees.	V	None
	5. Approved the release of the new manager from the non-compete clause.	V	None
	6. Approved the appointment of members of the 3rd Risk and Investment Decision-Making Committee.	V	None
	7. Approved the appointment of members of the 2nd Nominating Committee.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2023.8.23	1. Approved the appointment of the Company's financial officer and accounting officer.	V	None
	2. Approved the Company's consolidated financial statements for the second quarter of 2023.	V	None
	3. Approved the proposal for loaning of funds to subsidiary.	V	None
	4. Approved the amendment to the Subsidiary's "Procedures for Endorsement & Guarantee."	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2023.11.11	1. Approved the Company's consolidated financial statements for the third quarter of 2023.	V	None
	2. Transfer of the management of the Company.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2023.12.22	1. Approved the business plan and consolidated financial budget of the Company and its subsidiaries for 2024.	V	None
	2. Approved the Company's 2024 annual audit plan.	V	None
	3. Approved the annual evaluation of the independence of the Company's CPAs.	V	None
	4. Transfer of the management of the Company.	V	None

Board of Directors	Proposal Contents and Follow-up Actions	Matters listed in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
	5. Transfer of the management of the subsidiaries.	V	None
	6. Approved the proposal for loaning of funds to subsidiary.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2024.01.29	1. Approved the proposal for setting up a new sub-subsidiary.	V	None
	2. Capitalization proposal for the subsidiary.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		
2024.03.12	1. Approved the Company's 2023 consolidated financial statements, business reports and various accounting and settlement reports.	V	None
	2. Approved the Company's 2023 annual distribution of earnings.	V	None
	3. Approved the proposal for evaluation on design and effectiveness of execution of the Company's 2023 internal control system, and issuance of the "Declaration of Statement for Internal Control System."	V	None
	4. Approved to proposal for the policy of non-assurance services provided by the audit firm to The Company.	V	None
	5. Approved the distribution of the Company's 2023 director's remuneration and employee. remuneration.	V	None
	Opinions of Independent Directors: None.		
	The company's response to the independent directors' opinion: None.		
	Resolution: All Directors present voted in favor of the proposal.		

II. In regard to the recusal of independent directors from voting due to conflict of interests, the name of the said independent directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes shall be stated.

Name of Director	Proposal Contents	Reasons for Recusal Due to Conflict of Interests	Participation in Voting
Chang, Jui-Jung	On March 22, 2023, meeting	This is a matter	Did not participate

Name of Director	Proposal Contents	Reasons for Recusal Due to Conflict of Interests	Participation in Voting
Chang, Jui-Ching	of the Board of Directors: Proposal for the Company's payment of 2022 remuneration to directors and employees and salary to the managers of the Company and its subsidiaries.	relating to personal interests or interests of relations within the second degree of kinship	in voting
Hsiao, Kai-Feng	On June 30, 2023, meeting of the Board of Directors: 1.Proposal for the transfer of the management of the Company 2.Proposal to appoint the Company's CEO.	This is a matter relating to personal interests	Did not participate in voting
Chang, Jui-Jung Chang, Chih-Hao	On August 23, 2023, meeting of the Board of Directors: Proposal for annual raise of the Company's managers in 2023.	This is a matter relating to personal interests or interests of relations within the second degree of kinship	Did not participate in voting
Chang, Jui-Jung Chang, Chih-Hao	On November 11, 2023, meeting of the Board of Directors: Proposal for the transfer of the management of the Company.	This is a matter relating to personal interests or interests of relations within the second degree of kinship	Did not participate in voting
Hsiao, Kai-Feng	On December 22, 2023, meeting of the Board of Directors: Proposal for the transfer of the management of the Company	This is a matter relating to personal interests	Did not participate in voting
Chang, Jui-Jung Chang, Chih-Hao	On December 22, 2023, meeting of the Board of Directors: Proposal for the transfer of the management of the subsidiary.	This is a matter relating to personal interests or interests of relations within the second degree of kinship	Did not participate in voting
Chang, Jui-Jung Chang, Chih-Hao	On December 22, 2023, meeting of the Board of	This is a matter relating to personal	Did not participate in voting

Name of Director	Proposal Contents	Reasons for Recusal Due to Conflict of Interests	Participation in Voting
Hsiao, Kai-Feng	Directors: Proposal for the Company's payment of annual-bonus to the managers of the Company and its subsidiaries.	interests or interests of relations within the second degree of kinship	
Chang, Jui-Jung Chang, Jui-Ching Hsiao, Kai-Feng	On March 12, 2024, meeting of the Board of Directors: Proposal for the Company's payment of 2023 remuneration to directors and employees and salary to the managers of the Company and its subsidiaries.	This is a matter relating to personal interests or interests of relations within the second degree of kinship	Did not participate in voting

III. Targets for strengthening the functions of the Board of Directors (such as establishing an Audit Committee and enhancing information transparency) in the current and the most recent fiscal year and assessing implementation thereof

1. To clarify the duties of the Board of Directors, the Company has adopted “Rules of Procedure for Board of Directors Meetings”, which will hereafter govern the Board of Directors. Also, after 2017 the Company elected three independent directors, and formed an Audit Committee and Remuneration Committee, to fully implement and realize corporate governance operations.
2. To enhance information transparency, the Company has duly appointed a Spokesperson and Acting Spokesperson to serve as channels for external communications. Also, the Company has assigned dedicated personnel to handle corporate information collection and disclosure related matters, and on the corporate website has established a dedicated Investor area, providing real-time and comprehensive information for investor review, located online at: <https://www.sannenggroup.com/>

IV. Board performance evaluation: The company's 2023 board of directors and functional committees are evaluated and implemented as follows:

Cycle	Period	Scope	Method	Content
Internal assessment: The company performs the performance evaluation of the board of directors once a year, and discloses the evaluation results on the company's website or annual report.	2023.01.01   2023.12.31	Performance evaluation of the Board of Directors  Self-assessment of board members  Performance evaluation of the Remuneration Committee  Performance evaluation of the Audit Committee	Internal assessment: The assessment methods include internal self-evaluation of the board of directors and self-evaluation of	A. The measurement items for the board performance evaluation include the following five aspects:  i. Degree of participation in company operations.  ii. Improve the quality of board decisions.  iii. Board composition and structure.  iv. Selection of directors and continuing education.

Cycle	Period	Scope	Method	Content
		Performance evaluation of Risk and Investment Decision-Making Committee  Performance evaluation of Nominating Committee	the directors.	v. Internal control. B. The measurement items for the performance evaluation of board members include the following six aspects: <ol style="list-style-type: none"> <li>i. Master the company's goals and tasks.</li> <li>ii. Cognition of directors' responsibilities.</li> <li>iii. Level of participation in company operations.</li> <li>iv. Internal relationship management and communication.</li> <li>v. Professional and continuous education of directors.</li> <li>vi. Internal control.</li> </ol> C. The measurement items for the performance evaluation of the functional committee include the following five aspects: <ol style="list-style-type: none"> <li>i. Degree of participation in company operations.</li> <li>ii. Cognizance of functional committee responsibilities.</li> <li>iii. Improve the quality of decision-making of functional committees.</li> <li>iv. Composition of functional committees and selection of members.</li> <li>v. Internal control.</li> </ol>

The Company has implemented a system of evaluation on the performance of the Board of Directors. Moreover, in January of 2019, the Board of Directors approved "the Rules on the Evaluation of the Performance of the Board of Directors," with a view to enhance the performance of the Board of Directors through setting performance indexes. The Internal Evaluation on the Performance of the Board of Directors shall be conducted every year. "The Performance assessments of the board of directors" and "the Self-assessment and peer-to-peer assessments of individual directors" would be conducted in every December. Moreover, the assessment result shall be reported

to the Board of Directors for further evaluation and improvement before the first quarter of next year. In order to strengthen the efficiency of the operation of the Board of Directors, in accordance with the provisions of Article 40 of the "Corporate Governance Best-Practice Principles." Conduct performance evaluations on the board of directors, functional committees, and individual directors based on self-evaluation, peer evaluation, etc., and use it as a reference for individual directors' remuneration and nomination for renewal.

The Internal Evaluation on the Performance of the Board of Directors was conducted in accordance with the revised rules and questionnaires.

The evaluation results of each scope of evaluation and the corresponding scores are as follows:

1. "Questionnaire of Performance evaluation of the Board of Directors": All directors found that the performance of the board of directors of the Company is in line with expectation in each aspect of the evaluation.
2. "Questionnaire of Self-assessment of board members": the performance of all directors of the Company is in line with expectation in each aspects of the evaluation.
3. "Questionnaire of Performance evaluation of the Remuneration Committee": All executive members found that the result of the Performance evaluation for the Remuneration Committee of the Company is in line with expectation in each aspect of the evaluation.
4. "Questionnaire of Performance evaluation of the Audit Committee": All executive members found that the performance of the audit committee of the Company is in line with expectation in each aspect of the evaluation.
5. "Questionnaire of Performance Evaluation of Risk and Investment Decision-Making Committee": All executive members found that the Performance of the Risk and Investment Decision-Making Committee of the Company is in line with expectation in each aspect of the evaluation.
6. "Questionnaire of Nominating Committee": All executive members found that the Nominating Committee of the Company is in line with expectation in each aspect of the evaluation.

The Company has completed the 2023 Board performance self-assessment, and reported the assessment results to the Board meeting on March 12, 2024 as the basis for review and improvement. The annual scores range from 4.65 to 4.91 (5 for full mark), showing that the Board of Directors and various functional committees function well in general.

(II) Operational status of the Audit Committee

The Company's Audit Committee held 6 meetings (A) in the most recent year of 2023, through to April 30, 2024. The attendance (presence) of Audit Committee members was as follows:

Job title	Name	Times actually attending (B)	Times in Attendance by Proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Chen, Shuei-Jin	6	0	100%	Reelected on June 20, 2023
Independent Director	Wu, Chao-Fu	1	1	50%	Wu, Chao-Fu, who completed his tenure on June 20, 2023
Independent Director	Huang, Chen-Yen	6	0	100%	Reelected on June 20, 2023
Independent Director	Shih, Kuen-Ho	4	0	100%	Shih, Kuen-Ho, who was elected on June 20, 2023

Other required disclosure:

1. If any of the following circumstances occur during Audit Committee meetings, the date of said meeting, session number, proposal content, independent directors' objections, reservations or major suggestions, Audit Committee resolutions, and the Corporation's responses to Audit Committee opinions should be recorded.

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

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

Audit Committee	Proposal Contents and Follow-up Actions	Matters listed in Article 14-5 of the Securities and Exchange Act	Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors
2023.03.22	1.The Company's 2022 consolidated financial statements, business reports and various accounting and settlement reports.	V	None
	2.The Company's 2022 annual distribution of earnings.	V	None
	3.Proposal for evaluation on design and effectiveness of execution of the Company's 2022 internal control system, and issuance of the "Declaration of Statement for Internal Control System."	V	None
	4.Amendment to the Company's "Articles of Incorporation".	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		



2023.05.09	The Company's consolidated financial statements for the first quarter of 2023.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2023.08.23	1.The appointment of the Company's financial officer and accounting officer.	V	None
	2.The Company's consolidated financial statements for the second quarter of 2023.	V	None
	3.The proposal for loaning of funds to subsidiary.	V	None
	4.The proposal for the amendment to the Subsidiary's "Procedures for Endorsement & Guarantee."	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2023.11.11	The Company's consolidated financial statements for the third quarter of 2023.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2023.12.22	1. The business plan and consolidated financial budget of the Company and its subsidiaries for 2024.	V	None
	2. The business plan and consolidated financial budget of the Company and its subsidiaries for 2024.	V	None
	3. The evaluation of the independence and appointment of the Company's CPAs.	V	None
	4. The proposal for loaning of funds to subsidiary.	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		
2024.03.12	1.The Company's 2023 consolidated financial statements, business reports and various accounting and settlement reports.	V	None
	2.The Company's 2023 annual distribution of earnings.	V	None
	3.Proposal for evaluation on design and effectiveness of execution of the Company's 2023 internal control system, and issuance of the "Declaration of Statement for Internal Control System."	V	None
	Audit Committee resolution: All the members of the Audit Committee voted in favor of the proposal.		
	The company's response to the opinion of the Audit Committee: All Directors present voted in favor of the proposal.		

2. In regard to any recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the proposal, reasons for recusal due to conflict of interests and voting

outcomes should be stated: None

3. Communications between independent directors and the head of internal audit and CPAs (such as matters, methods and results of communication with respect to the Company's financial and business status):

(1) The methods of communication among the independent directors and internal audit compliance supervisors are as follows:

During discussions of the auditing CPAs Financial Report, the Company extends invitations to the CPAs to attend the Audit Committee for discussion of the Company's financial status, and the results of the communication are highly productive. Internal audit compliance supervisors abide by the Internal Audit Compliance Implementation Guidelines adopted by the Shareholders' Meeting on July 25, 2017, providing internal audit compliance reports to the Directors of the Board and Audit Committee members in attendance, and by the end of the following month provide the prior month's Internal Audit Plan Forms to the Audit Committee members for review and approval.

(2) Summary of previous communications between the independent directors and the internal audit compliance supervisors

The Company's independent directors enjoy good communications regarding the work and efficacy of the internal audit compliance effort, and for 2022 the material communications conveyed were as delineated in the form below:

Date	Communication Focus	Results of implementation
2023.03.22	Internal Audit compliance implementation report of 2023	Approved for recordation
2023.05.09	Internal Audit compliance implementation report of 2023	Approved for recordation
2023.08.23	Internal Audit compliance implementation report of 2023	Approved for recordation
2023.12.22	Internal Audit compliance implementation report of 2023 2024 Audit Plan	Approved for recordation Approved as proposed

(3) Summary of previous communications between the independent directors and the retained auditing CPAs

The company's independent directors and the retained auditing CPAs enjoy good communications, and for 2023 the material communications conveyed were as delineated in the form below:

Date	Communication Focus	Results of implementation
2023.03.22	2022 Business Report and Consolidated Financial Report	Approved as proposed
	Appointed accounting firm to communicate reports with governance unit.	Approved for recordation
2023.05.09	2023 First Quarter Consolidated Financial Report Audit Process and Status Report	Approved as proposed
2023.08.23	2023 Second Quarter Consolidated Financial Report Audit Process and Status Report	Approved as proposed

Date	Communication Focus	Results of implementation
	Appointed accounting firm to communicate reports with governance unit.	Approved for recordation
2023.11.11	2023 Third Quarter Consolidated Financial Report Audit Process and Status Report	Approved as proposed
2023.12.22	Appointed accounting firm to communicate reports with governance unit.	Approved for recordation

(III) Implementation of Corporate Governance and any Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons thereof

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
I. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	V		The Company has established the Corporate Governance Best Practice Principles, which is in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies". The Corporate Governance Best Practice Principles has been revised and approved by the BOD on March 22, 2022, and published their contents on MOPS and the Company’s website.	At present there are no major impediments or deviations in implementation.
II. Shareholding structure & shareholders’ rights				
(I) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(I) The Company has established its "Corporate Governance Best Practice Principles", set up an email address and delegated responsibility to the spokesperson and the financial unit of the management center to handle any shareholder suggestions or disputes.	At present there are no major impediments or deviations in implementation.
(II) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(II) Major shareholders are required to report to the company regarding changes in the shareholding on a monthly basis.	
(III) Has the Company built and executed a risk management	V		(III) The Company has in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” established	

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>system and “firewall” between the Company and its affiliates?</p> <p>(IV) Has the Company established an internal regulation that prohibits insider trading on undisclosed information?</p>	V		<p>within the internal control system the "Rules Governing Financial and Business Matters Between the Company and its Related Parties.", and implements risk control and firewall mechanisms in accordance with the relevant regulations.</p> <p>(IV) The Company has established “Regulations Governing the Prevention of Insider Trading” and “Procedures for Handling Material Inside Information”, and in accordance with these regulations prohibits corporate insiders from the use of undisclosed information in the securities trading markets and have regular trainings to insiders.</p>	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</p>	V		<p>(I) The Board of Directors has made the following policies and implementations regarding diversity of its composition:</p> <p>(1) In light of the increasing diversity of the responsibilities of the Board of Directors and in order to continue the balanced development of business operations, enhance operational performance and management efficiency, the Company has formulated the "Corporate Governance Best Practice Principles". On Article 20, Chapter III "Strengthening Board Functions" of the Principles, the diversification objective in nominating directors has been specified. The Company evaluates the eligibility of the Board members from various dimensions and aspects which include but not limited to gender, age, culture and academic backgrounds, race, professional experience, technique and knowledge or field of work. All Board appointments are based on meritocracy, and candidates will be considered objectively, having due regard for the benefits of diversity on the Board.</p> <p>(2) The nomination and election of members of the Company’s Board of</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No		
			<p>Directors is conducted in accordance with the Articles of Incorporation, wherein a candidate nomination system is adopted. In addition to the evaluation of the education background and work experience of candidates, stakeholders' opinions are also taken into consideration in accordance with “Procedures for Election of Directors” and “Corporate Governance Best Practice Principles”, in order to ensure the diversity and independence of members of the Board of Directors.</p> <p>(3) Among the Company's 9 Board members in the 4th term of the Board of Directors, 6 of whom are general directors. One of the general directors, Chen, Lai-Chun, is female and is equipped with bakeware management experiences as well as expertise in financial and accounting management. Other directors who are equipped with management experiences and bakeware industry knowledge include Hsieh, Shun-Ho and Chang, Chih-Hao; directors who are equipped with bakeware management and professional knowledge include Chang, Jui-Jung, Tsai, Feng-Lung, Hsiao, Kai-Feng, and Chang, Chih-Hao. Director Hsieh, Shun-Ho is familiar with professional baking material knowledge, while Chang, Jui-Jung, Tsai, Feng-Lung, and Hsieh, Shun-Ho are all knowledgeable on professional production quality and R&amp;D. The Company's three independent directors all come from different fields and expertise. In particular, independent director Huang, Chen-Yen is skilled in production management and quality system; Chen, Shuei-Jin has a professional CPA license and is proficient in financial accounting and business laws; while independent director Shih, Kuen-Ho serves on the board of the China Grain Products Research &amp; Development Institute. His past roles include serving as a member and evaluator for the Baking Food Vocational Examination Committee, and as a judge for both national and international bread competitions. His</p>	

Performance Evaluation Items	Operational status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No		
			<p>comprehensive understanding of the baking industry has allowed him to establish professional networks and accumulate experience across all facets of the industry, from production to distribution. Additionally, he has provided mentorship to a significant number of baking professionals and business owners in Taiwan. The three independent directors have made significant contributions to the Company whether in terms of manufacturing quality system, financial and accounting legal compliance, and industry development trends.</p> <p>The diversity of the Board members' industrial experience, professional expertise and academic backgrounds allow them to provide professional advice from a variety of aspects, which greatly enhances the business management of the Company.</p> <p>(4) The ratio of directors who concurrently serve as employees of the Company is 22%; the ratio of independent directors to all directors is 33%; while the ratio of female directors is 11%. The Company pays attention to gender equality in the composition of the Board of Directors, and the ratio of female directors will gradually increase over the years with the goal of achieving a 30% ratio or above.</p> <p>(5) It can be seen from the table below that the core of diversity of the Board of Directors consists of two major components, which are industry experience and professional expertise. The industry-specific experience includes experiences in areas of bakery ingredients, baking equipment, and bakeware; while the professional expertise includes accounting, law, production quality and quality, and technical R&amp;D. The Company has an even distribution across all of the aforementioned aspects, showing implementation diversity in the Board's composition.</p>	

Performance Evaluation Items	Operational status										Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies																																																																																													
	Yes	No	Summary																																																																																																					
(II) In addition to the Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional	V		<table border="1"> <thead> <tr> <th>Diversification Name</th> <th>Gender</th> <th>Baking Equipment</th> <th>Baking Utensils</th> <th>Baking ingredients</th> <th>Baking Product</th> <th>Accounting</th> <th>Law</th> <th>Production Quality</th> <th>R&amp;D</th> </tr> </thead> <tbody> <tr> <td>Director Chang, Jui-Jung</td> <td>Male</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Director Hsieh, Shun-Ho</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Director Chen, Lai-Chun</td> <td>Female</td> <td>V</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Director Tsai, Feng-Lung</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Director Hsiao, Kai-Feng</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Director Chang, Chih-Hao</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Independent Director Chen, Shuei-Jin</td> <td>Male</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Independent Director Huang, Chen-Yen</td> <td>Male</td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Independent Director Shih, Kuen-Ho</td> <td>Male</td> <td>V</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td></td> </tr> </tbody> </table>	Diversification Name	Gender	Baking Equipment	Baking Utensils	Baking ingredients	Baking Product	Accounting	Law	Production Quality	R&D	Director Chang, Jui-Jung	Male									Director Hsieh, Shun-Ho	Male		V					V	V	Director Chen, Lai-Chun	Female	V		V				V	V	Director Tsai, Feng-Lung	Male		V			V				Director Hsiao, Kai-Feng	Male		V					V	V	Director Chang, Chih-Hao	Male		V			V	V			Independent Director Chen, Shuei-Jin	Male	V	V		V					Independent Director Huang, Chen-Yen	Male					V	V			Independent Director Shih, Kuen-Ho	Male	V						V		(II) In addition to Remuneration Committee and Audit Committee, the Company also set up a Risk and Investment Decision-Making Committee, which is mainly responsible for: reviewing new business or strategic investments, establishment of new companies and mergers (including mergers, acquisitions and divestitures), and joint ventures with others. The Committee is composed of three Independent Directors. The term of service starts from June 20, 2023 to June 19, 2026. The
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committees?			<p>Risk and Investment Decision-Making Committee held 3 meetings (A) in the most recent year and as of April 30, 2024. The attendance (presence) of the Committee members was as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Attendance in person (B)</th> <th>By Proxy</th> <th>Attendance Rate in Person (%) (B/A)</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Convener</td> <td>Chen, Shuei-Jin</td> <td>3</td> <td>0</td> <td>100%</td> <td>Reelected on June 20, 2023</td> </tr> <tr> <td>Committee Members</td> <td>Huang, Chen-Yen</td> <td>3</td> <td>0</td> <td>100%</td> <td>Reelected on June 20, 2023</td> </tr> <tr> <td>Committee Members</td> <td>Shih, Kuen-Ho</td> <td>3</td> <td>0</td> <td>100%</td> <td>Shih, Kuen-Ho, who was elected on June 20, 2023</td> </tr> </tbody> </table>	Title	Name	Attendance in person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks	Convener	Chen, Shuei-Jin	3	0	100%	Reelected on June 20, 2023	Committee Members	Huang, Chen-Yen	3	0	100%	Reelected on June 20, 2023	Committee Members	Shih, Kuen-Ho	3	0	100%	Shih, Kuen-Ho, who was elected on June 20, 2023	
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(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		<p>(III)The Company has established its "Performance evaluation of the Board of Directors". The results of the Board of Directors' performance evaluation for the year of 2023 has been reported in the Board of Directors of March 12, 2024. Both the rules and the evaluation results have been disclosed in the Investor Section of the Company's website. Performance evaluation of the Board of Directors of the Company includes the following five aspects:</p> <ol style="list-style-type: none"> <li>(1)Extent of participation in the Company's operations.</li> <li>(2)Improvement in the quality of decision-making by the Board of Directors.</li> <li>(3)Composition and structure of the Board of Directors.</li> <li>(4)Election of the Directors and their continuing professional education.</li> <li>(5)Internal control.</li> </ol>																									

Performance Evaluation Items	Operational status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
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(IV) Does the Company regularly implement assessments on the independence of the CPA?	V		<p>The finance unit of the management center of the Company carried out an analysis in accordance with the "Performance evaluation of the Board of Directors" and reported the results to the Board of Directors and proposed improvement measures in response to opinion of the Directors to reduce future operation risks. In accordance with Article 10 of the Rules, the Company is advised to disclose in its annual report whether it has formulated procedures to evaluate the performance of the Board, and that the method and results of the annual performance evaluation of the Board shall be described. Pursuant to Article 11, the Company's performance evaluation methods shall be fully disclosed on the Market Observation Post System and the Company's website for reference for the competent authority and investors.</p> <p>(IV)The Company's Audit Committee conducts assessments of the independence of its external auditors every year and reports the evaluation results to the Board of Directors.</p> <p>In addition to requiring auditors to provide a "statement of independence" and "Audit Quality Indicators (AQIs)," the Company follows the standards (in the table below) and the AQIs as an objective reference for auditor selection.</p> <p>After confirming that the auditor and the Company have no financial interest or business relationship beyond audit and tax services and that the auditor's family members do not violate the independence requirements, the Committee also reviewed the auditor's AQI information. The Committee found that the auditor and the firm's audit experience and training hours exceeded industry averages, and they have been continuously implementing digital audit tools to improve audit quality over the past three years.</p> <p>The evaluation results for the latest fiscal year were discussed and approved by the Audit Committee on December 22, 2023, and reported to the Board of Directors on the same dates.</p>	

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IV. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		<p>The Company has established the "Sustainable Development Management" dedicated unit upon approval by the Board of Directors in August 2021, and appointed the Company's financial manager to serve as the Chief Corporate Governance Officer concurrently. Report to the CEO about the corporate governance practices, including convening of the Board of Directors meetings, Audit Committee meetings, Remuneration Committee meetings and shareholders' meetings pursuant to laws, assistance to directors in holding the position and continuing education; provision to directors the information needed by them to perform their duties, and assistance to directors in compliance.</p> <p>Training undertaken by the Company's corporate governance officers in 2023 were as follows:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Date</th> <th>Hosting Organization</th> <th>Couse</th> <th>Hours</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Chen, Liu-Yu</td> <td>2023/05/23</td> <td>TWSE</td> <td>Listed and OTC Companies Sustainable Development Action Plan Conference</td> <td>3.0</td> <td rowspan="3">27.0</td> </tr> <tr> <td>2023/06/02</td> <td>CNAIC</td> <td>2023Taishin Net Zero Summit Go Towards Green Energy</td> <td>3.0</td> </tr> <tr> <td>2023/06/02</td> <td>Securities and Futures</td> <td>2023 Prevention of</td> <td>3.0</td> </tr> </tbody> </table>	Name	Date	Hosting Organization	Couse	Hours	Total hours	Chen, Liu-Yu	2023/05/23	TWSE	Listed and OTC Companies Sustainable Development Action Plan Conference	3.0	27.0	2023/06/02	CNAIC	2023Taishin Net Zero Summit Go Towards Green Energy	3.0	2023/06/02	Securities and Futures	2023 Prevention of	3.0	At present there are no major impediments or deviations in implementation.
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				Institute	Insider Trading Publicity Conference			
			2023/07/04	TWSE	2023 Cathy Sustainable Finance and Climate Change Summit	6.0		
			2023/09/22   2023/09/23	Taiwan Corporate Governance Association	Sustainable governance training course	9.0		
			2023/12/08	Securities and Futures Institute	2023 Insider Equity Transaction Legal Compliance Publicity Briefing	3.0		
V. Has the company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees and suppliers), and created a stakeholder section on the Company's website, and appropriately responded to the important corporate social responsibility issues that are relevant to the	V		The Company has established a channel for communication with stakeholders, and the Company has created a stakeholders' section on the Company's website, ensuring appropriate access for stakeholders including the consuming public, financial institutions and creditors, employees, suppliers, the community, government agencies, media, and shareholders, and allowing for timely and responsive feedback for their concerns.					At present there are no major impediments or deviations in implementation.
			Stakeholders	Key Issues of Concern	Communication Channel and Response Method			
			Shareholders	Corporate Image/business performance /industry	Contact person: Spokesperson Hsiao, Kai-Feng TEL: 0928-135680			

Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies	
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stakeholders?			overview/product and services/investment	<p>Communication Channels</p> <ol style="list-style-type: none"> <li>1. Annual Shareholders' Meeting</li> <li>2. Investors conferences are held more than twice a year</li> <li>3. Material information is posted immediately on the Market Observation Post System and the Company's website</li> <li>4. Dedicated email for investors</li> <li>5. Regular communication and meetings with domestic institutional investors</li> </ol>	
			Employees	Labor relations/occupational health and safety/non-discrimination/equality	

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	Yes	No	Summary	
VI. Has the Company appointed a professional shareholder services agency in handling of the shareholders' meeting?	V		The Company has delegated to the Transfer Agency Department of Mega Securities Co., Ltd., responsibility for the Company's Stock Transfer agency duties, to aid the Company in handling all stock related matters.	At present there are no major impediments or deviations in implementation.
VII. Information Disclosure (I) The Company's corporate website discloses information on financial operations and corporate governance. (II) The Company has adopted other information disclosure methods (such as creating an English website, delegating specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website). (III) Does the Company announce and report the annual financial statements within two months after the	V  V		(I) The Company has disclosed information on financial operations, business and stock matters on its website and has established a dedicated area to disclose information on its organizational structure, relevant regulations and implementation of corporate governance.  (II) The Company has established a spokesperson system, with the CEO serving as spokesperson, and the management center director and general manager of Sanneng Taiwan assigned with duties as the acting spokesperson.  (III) The Company follows relevant laws and regulations to announce and report the first, second, third quarter and annual financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.	No major impediments or deviations in implementation except that the financial report cannot be disclosed in advance due to the problem of internal procedure and cooperation with accountants.



Performance Evaluation Items	Operational status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
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end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?				
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and	V		<p>(I) Employee rights and staff welfare: The Company treats employees with integrity, and in accordance with legal regulations and internal management guidelines ensures employees a secure and healthy work environment. In addition, the Company has a panoply of principles providing a fair opportunity and conduct norms governing employee retention, promotion, recognition or demerits, welfare, remuneration, and training. The Company has established a Staff Welfare Committee and Supervisory Committee of Labor Retirement Reserve to protect employee rights and interests.</p> <p>(II) Investor Relations: The Company acts with integrity to abide by legal regulations governing disclosure of corporate information, to protect investor rights and interests and fulfill the corporation's responsibilities towards its shareholders.</p> <p>(III) Supplier Relations: The Company has robust communication channels with suppliers and maintains strong relations with them.</p> <p>(IV) Rights of stakeholders: The Company respects and protects stakeholders' legal rights.</p> <p>(V) Continuing education for Directors and Supervisors: The Company's Directors' continuing education and training complies with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of Listed Companies".</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Operational status		Summary	Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
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supervisors)?			<p>(VI) Implementation Status for Risk Management Policy and Risk Assessment Standards: The Company has established relevant operating procedures as the basis for risk management and assessment.</p> <p>(VII) Implementation status for customer policy: The Company has established a consumer complaint handling mechanism to identify the source of the problem and responsibility for customer complaints, tasking the relevant units to make improvements to ensure protection of consumer rights, periodically conducting customer satisfaction surveys to make certain consumers enjoy the best service.</p> <p>(VIII) Status on Company policies for Directors' and Supervisors' Liability Insurance: The Company has procured coverage for Directors' Liability Insurance, and has reported to the Board of Directors as to its main contents including the amount of coverage for the liability insurance, the scope of coverage and the insurance premiums.</p>	

IX. Please provide explanation and measures for improvements made, as well as the improvement measures awaiting amelioration and prioritized items and measures to be undertaken in response to the corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation:

Topic	Plans for future improvement
Does the Company have no more than two directors who have spousal or second degree of kinship to any other director?	The Company have reelected the BOD on June 20, 2023. The Company have no more than two directors who have spousal or second degree of kinship to any other director after reelected.
Is the Chairperson of the Board of Directors and the general manager or any other person of equivalent rank (highest ranked managerial position) not the same person or have spousal relations or first degree of kinship?	The Company had appointed a General Manager or any other person of equivalent rank (highest ranked managerial position), who was nominated by the remuneration committee and had the approval of the Board on June 30, 2023.
Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	The Company has established the “Sustainable Development Management” dedicated unit upon approval by the Board of Directors in August 2021 and followed materiality principle to conduct risk assessment and establish management policy. The Company reported the related implementation on the Board of Directors on December 22, 2023. The Board of Directors supervise and give recommendations to the Company.

(IV) Profiles of the Members and Operational Status of Functional Committee

1. Remuneration Committee

(1) Profiles of the Members of the Remuneration Committee

Criteria		Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Title	Name			
Independent Director	Chen, Shuei-Jin	<p>1. Work experience in the area of commerce, accounting and otherwise necessary for the business of the company over 30 years, and is a CPA.</p> <p>2. Served as Professional CPA, Deloitte &amp; Touche, Independent Director, Cheng Shin Rubber Ind. Co., Ltd., Independent Director, Merida Industry Co., Ltd., Supervisor, LINCO Technology Co., Ltd., Independent Director and Remuneration Committee member, Acelon Chemicals &amp; Fiber Co., Ltd., Director, Taiwan Paiho Limited</p> <p>3. Not been a person of any conditions defined in Article 30 of</p>	<p>Mr. Chen meets the conditions of independence, which includes but is not limited to whether the independent director, spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or affiliates; the shares and percentage of shares held by the independent director, spouse, relative within the second degree of kinship; whether the independent director is a director, supervisor, or employee of the company or any companies with specific affiliations to the company; and compensation received by the independent director for providing services to the company's commerce, law, finance, or accounting department in the past two years. Pursuant to the requirements of the Listing Rules, the Company has obtained a written statement from independent non-</p>	3

		the Company Law.	executive director confirming the independence of himself and his immediate family from the company.	
Independent Director	Huang, Chen-Yen	<ol style="list-style-type: none"> <li>1. Work experience in the area of necessary for the business of the company over 40 years.</li> <li>2. Served as Senior Engineer MIRDC, Metal Industries Research &amp; Development Centre</li> <li>3. Not been a person of any conditions defined in Article 30 of the Company Law.</li> </ol>	Mr. Huang meets the conditions of independence, which includes but is not limited to whether the independent director, spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or affiliates; the shares and percentage of shares held by the independent director, spouse, relative within the second degree of kinship; whether the independent director is a director, supervisor, or employee of the company or any companies with specific affiliations to the company; and compensation received by the independent director for providing services to the company's commerce, law, finance, or accounting department in the past two years. Pursuant to the requirements of the Listing Rules, the Company has obtained a written statement from independent non-executive director confirming the independence of himself and his immediate family from the company.	0

Independent Director	Shih, Kuen-Ho	<p>1. Work experience in the area of necessary for the business of the company over 40 years. Served as Instructor, chief, deputy director, China Grain Products Research &amp; Development Institute, Researcher in Lucky Enterprise Co., Secretary General in Taiwan Association for Food Science and Technology, Chairperson, Taiwan Association for Food Science and Technology</p> <p>2. Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>Mr. Shih meets the conditions of independence, which includes but is not limited to whether the independent director, spouse, or relative within the second degree of kinship is a director, supervisor, or employee of the company or affiliates; the shares and percentage of shares held by the independent director, spouse, relative within the second degree of kinship; whether the independent director is a director, supervisor, or employee of the company or any companies with specific affiliations to the company; and compensation received by the independent director for providing services to the company's commerce, law, finance, or accounting department in the past two years. Pursuant to the requirements of the Listing Rules, the Company has obtained a written statement from independent non-executive director confirming the independence of himself and his immediate family from the company.</p>	0
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Note: During the two years before being elected and during the term of office, meet any of the following situations:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates;
- (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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairperson or CEO (or equivalent) themselves or their spouse also serve as the company's chairperson or CEO (or equivalent);
- (8) Not a director, supervisor, officer, 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; and
- (9) Other than serving as a remuneration committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NT\$500,000”.

(2) Operational Status of Remuneration Committee

- The Company's Remuneration Committee consists of three (3) members.
- This slate of the Committee is in office from: June 20, 2023 through June 19, 2026, and in the most recent year through to April 30, 2024, the Remuneration Committee has met 5 times (A), with member attendance status as follows:

Job title	Name	Number in actual attendance (B)	Numbers in Attendance by Proxy	Actual presence (%) (B/A)	Remarks
Convener	Chen, Shuei-Jin	5	0	100%	Reelected on June 20, 2023
Committee Members	Huang, Chen-Yen	5	0	100%	Reelected on June 20, 2023
Committee Members	Shih, Kuen-Ho	5	0	100%	Shih, Kuen-Ho, who was elected on June 20, 2023

Other required disclosures:

1. In the event the Board of Directors does not adopt or amends the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, determination and any resolution from the Board of Directors, and the method by which the opinion of the Remuneration Committee was handled (e.g., if the salaries and compensations approved by the Board were higher than the levels suggested by the Remuneration Committee, please state the differences and reasons thereof): None.
2. If for any matter under consideration of the Remuneration Committee, any member has a dissenting or qualified opinion, and there is a record thereof or written statement, then the date, session, contents of the proposal, all members' opinions and the handling of the opinions of the member(s) of the Remuneration Committee shall be duly stated: None.

Remuneration Committee	Content of Proposal and Follow-up Actions	Resolution	The Company's response to the Remuneration Committee's opinion
2023.06.30	1. Transfer of the management of the Company and its subsidiaries. 2. Approved the appointment of the Company's CEO. 3. Approved the appointment of the Company's financial officer and accounting officer.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2023.08.23	Annual raise of the Company's managers in 2023.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2023.11.11	Transfer of the management of the Company.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2023.12.22	1. Transfer of the management of the Company. 2. Transfer of the management of the subsidiaries. 3. Proposal for the Company's payment of annual-bonus to the	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.



Remuneration Committee	Content of Proposal and Follow-up Actions	Resolution	The Company's response to the Remuneration Committee's opinion
	managers of the Company and its subsidiaries.		
2024.03.12	The Company's payment of 2023 remuneration to directors and employees and salary to the managers of the Company and its subsidiaries	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.

## 2. Nominating Committee

- The Company's Nominating Committee consists of three (3) members.
- This slate of the Committee is in office from: June 20, 2023 through June 19, 2026, and in the most recent year through to April 30, 2024, the Remuneration Committee has met 2 times (A). Members' professional qualification, experience, attendance status and proposals are as follows:

Job title	Name	Professional Qualification and Experience	Number in actual attendance (B)	Numbers in Attendance by Proxy	Actual presence (%) (B/A)	Remark
Convener	Chen, Shuei-Jin	The Company's Nominating Committee is comprised of all 3 independent directors.	2	0	100%	-
Committee Members	Huang, Chen-Yen	For members professional qualification and experience, please refer to "the Board Directors' Information" on pages 22-23 of this Annual Report.	2	0	100%	-
Committee Members	Shih, Kuen-Ho		2	0	100%	-

### Other required disclosures:

1. In the event the Board of Directors does not adopt or amends the proposals of the Nominating Committee, please state the date and number of the Board meeting, the content of the proposals, determination and any resolution from the Board of Directors, and the method by which the opinion of the Nominating Committee was handled (e.g., if the salaries and compensations approved by the Board were higher than the levels suggested by the Nominating Committee, please state the differences and reasons thereof): None.
2. If for any matter under consideration of the Nominating Committee, any member has a dissenting or qualified opinion, and there is a record thereof or written statement, then the date, session, contents of the proposal, all members' opinions and the handling of the opinions of the member(s) of the Nominating Committee shall be duly stated: None.

Nominating Committee	Content of Proposal and Follow-up Actions	Resolution	The Company's response to the Nominating Committee's opinion
2023.12.22	Amendment to the Company's "Corporate Governance Best Practice Principles."	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2024.03.12	Report on the Nominating Committee's performance self-evaluation results of 2023.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.

### 3. Risk and Investment Decision-Making Committee

- The Company's Risk and Investment Decision-Making Committee consists of three (3) members.
- This slate of the Committee is in office from: June 20, 2023 through June 19, 2026, and in the most recent year through to April 30, 2024, the Risk and Investment Decision-Making Committee has met 3 times (A), with member attendance status as follows:

Job title	Name	Professional Qualification and Experience	Number in actual attendance (B)	Numbers in Attendance by Proxy	Actual presence (%) (B/A)	Remark
Convener	Chen, Shuei-Jin	The Company's Risk and Investment Decision-Making Committee is comprised of all 3 independent directors. For members professional qualification and experience, please refer to "the Board Directors' Information" on pages 22-23 of this Annual Report.	3	0	100%	-
Committee Members	Huang, Chen-Yen		3	0	100%	-
Committee Members	Shih, Kuen-Ho		3	0	100%	-

#### Other required disclosures:

1. In the event the Board of Directors does not adopt or amends the proposals of the Risk and Investment Decision-Making Committee, please state the date and number of the Board meeting, the content of the proposals, determination and any resolution from the Board of Directors, and the method by which the opinion of the Risk and Investment Decision-Making Committee was handled: None.
2. If for any matter under consideration of the Risk and Investment Decision-Making Committee, any member has a dissenting or qualified opinion, and there is a record thereof or written statement, then the date, session, contents of the proposal, all members' opinions and the handling of the opinions of the member(s) of the Risk and Investment Decision-Making Committee shall be duly stated: None.

Risk and Investment Decision-Making Committee	Content of Proposal and Follow-up Actions	Resolution	The Company's response to the Remuneration Committee's opinion
2023.12.22	Proposal for the Company to expand the investment for the subsidiary.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2024.01.29	Proposal for the Company to set up a new sub-subsidiary.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.
2024.03.12	Report on the Investment Risk Decision Making Committee's performance self-evaluation results of 2023.	All members of the Committee present voted in favor of the proposal.	Proposed to the Board of Directors and all directors present voted in favor of the proposal.

(V) Sustainable Development Implementation and Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons:

Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
I. Has the company established a governance framework for promoting sustainable development and a dedicated (concurrent) unit with senior management authorized by the board to implement sustainable development, and the supervision status of the board?	V		The Company established the “Sustainable Development Management” dedicated unit subordinated to the CEO Office in 2021, and appointed it to report the status to the Board of Directors at least one time in a year. Meanwhile, the Company will have multiple senior managers specialized in different fields review the Company's core operating ability jointly at the Group's summit meeting each year, in order to decide the ESG plan to be adopted. The Company reported the related implementation on the Board of Directors on December 22, 2023. The Board of Directors supervise and give recommendations for the implementation. The major related issues and expenditures are also submitted to the Board of Directors for discussion and decision-making in accordance with The company's decision-making authority.	At present there are no major impediments or deviations in implementation.
II. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		The Company has followed materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy. Moreover, the Company reported the sustainable development implementation on the Board of Directors on December 22, 2023. Relevant risk identification and countermeasures please refer to (Note).	At present there are no major impediments or deviations in implementation.
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) The Company deploys the following environmental management measures: 1. All of the Company’s production generated waste, wastewater, and waste material are handled in conformity with the law.	At present there are no major impediments or deviations in implementation.

<p>(II) Does the company endeavor to utilize energy resources more efficiently and use renewable materials which have low impact on the environment?</p>	<p>V</p>	<p>(II)</p> <p>➤ Improve the energy efficiency policy</p> <ol style="list-style-type: none"> <li>1. Inspect the air conditioning system and retire as well as replace old air conditioning equipment.</li> <li>2. Retire and replace old mechanical equipment and change them to energy-efficient mechanical equipment.</li> <li>3. Implement equipment maintenance and improve the performance of equipment operations to reduce energy loss.</li> <li>4. Add smart water meters and electric meters to monitor energy usage in real-time for timely adjustment.</li> <li>5. Replace lighting fixtures to energy-efficient ones and add motion sensor light switches at places with lower lighting requirements.</li> <li>6. Implement education and training for employees and promote various energy saving initiatives.</li> </ol>	<ol style="list-style-type: none"> <li>2. The use of electricity, water resources and air conditioning resources complies with established management objectives.</li> <li>3. One of our main subsidiaries, Sanneng Wuxi, has gained accredited ISO14001 Environmental Management System certification on July 29, 2022 again, and on December 15, 2022, gained accredited ISO50001 Energy Management System certification, to effectively prevent and control environmental pollutions and improve the energy and resource utilization.</li> <li>4. The subsidiaries of the Company Group have started education and training on the GHG inventory in accordance with ISO14064-1, and produced 2022 statistics. One of our main subsidiaries, Sanneng Wuxi has commissioned a certification body to publish the verification statement of the GHG emissions in accordance with ISO14064-1.</li> </ol>
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<p>(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?</p>	<p>V</p>	<p>➤Use of Recycled Materials Policy</p> <ol style="list-style-type: none"> <li>1. Reduce our reliance on natural resources. For example, develop plant fiber products that reduce the usage of plastics and use recycled paper as packaging materials.</li> <li>2. Recycling policy where the non-stick re-processing will be promoted to reduce mining and consumption of raw materials.</li> </ol> <p>In addition, the Company has added sawdust powders, oyster shell powders, coffee grounds and other recycled materials into to plastic products to reduce the use of plastic materials by 30% to 50%, which can significantly reduce the consumption of plastic materials. Related products are being promoted.</p> <p>(III) The Company continues to maintain due concern and attention for the impact of climate change on operational activities, and fully considers the effectiveness of energy conservation during product research and development.</p> <p>➤Material risks posed by climate change for companies: The disasters caused by climate change may lead to factory downtime, supply chain disruption, output and sales drops, corporate property loss, and increased operational costs. In addition, society, investors, and shareholders expect the Company to put forth the physical actions to respond to climate change.</p> <p>➤Climate change provides opportunities to the enterprise</p> <ol style="list-style-type: none"> <li>1. In response to the net zero policy of the government and carbon reduction requirement of our customers, we actively develop energy efficient and carbon reduction products.</li> <li>2. Increase the proportion of renewable energy.</li> <li>3. Retire and replace energy-consuming machinery equipment and actively strive for the subsidy for retiring and replacing equipment.</li> </ol>	
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(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?

V

4. Improve the utilization of raw materials and reduce the amount of waste.

(IV) The company's 2022 and 2023 statistical data are as follows, and the data coverage includes all subsidiaries in the group.

unit: t CO<sub>2</sub> e/ year

Year	Scope 1	Scope 2	Total .GHG Emissions
2022	2,003.9246	5,719.0044	7,722.9290
2023	2,284.5431	6,619.4996	8,904.0427

Year	Water usage (tons)
2022	47623.76
2023	58,055.03

Year	Waste quantity (tons)
2022	629.90
2023	695.72

The Company's related management policies:

➤Greenhouse gas emissions :

Due to global warming, the greenhouse effect has brought impact to humans. The Group lives up to the principle "To become a promoter of cookware safety, environmental protection, energy conservation and carbon reduction" as its mission. We completely review the supply chain of raw materials, high-performing product design, and production processes, and comply with the net zero timetables declared by each country and the net zero pathway and strategies of the government.

Sanneng Wuxi had installed solar panels on the rooftop of the factories for annual capacity of 1.25 GWh in the end of 2023, while evaluating the feasibility of installing solar panels on the rooftop of the factories of Sanneng Taiwan.

		<p>In addition, the carbon reduction effect of our products and services for our customers or consumers are shown below:</p> <ol style="list-style-type: none"> <li>1. Product packages and packaging materials; use the renewable materials, reasonable packages and minimize waste to lower the burden of customers or consumers.</li> <li>2. Energy-saving product R&amp;D; provide products with low power consumption to reduce energy consumption and carbon emissions for customers or consumers.</li> <li>3. Promote the non-stick re-processing business; after the environmental non-stick re-processing technology is used for the old bakeware of customers, they can be reused for the cyclic economy to save costs of buying new ones and reduce carbon emissions by using fewer raw materials.</li> </ol> <p>➤Water usage :</p> <ol style="list-style-type: none"> <li>1. Update the water purification machines, improve the water usage efficiency, and reduce the amount of tap water used.</li> <li>2. Recover and reuse water resources; treat wastewater to reuse water and reduce the need for tap water.</li> <li>3. Promote water resource conservation; promote water saving devices, facilities, technologies, and behavior change to effectively conserve water resources.</li> </ol> <p>➤Waste:</p> <ol style="list-style-type: none"> <li>1. Sort and recycle waste, facilitate the recycle and re-use, and reduce impact of waste on the environment.</li> <li>2. Reduce unnecessary packaging, and develop recycling and reuse packaging materials.</li> <li>3. Enhance education and promotion, raise awareness about waste management and reduction, and facilitate waste reduction.</li> </ol> <p>The above-mentioned information is shown by our internal inventories. Only one of our main subsidiaries, Sanneng Wuxi has</p>	
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			commissioned a certification body to publish the verification statement of the GHG emissions in accordance with ISO14064-1 in 2022. Other subsidiaries have not announced other external verifications.	
<p>IV. Social issues</p> <p>(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>(I) In accordance with the "Human Right Policy," the Company actively implements the following principle:</p> <p>Our Commitment:</p> <ol style="list-style-type: none"> <li>1. We strongly believe that respecting, protecting human rights and providing relevant education and training are the basis and foundation of its sustainable business operation.</li> <li>2. Everyone will be treated equally in language, attitude and behavior despite one's gender, race, social status, age, marital status, family status, language, religion, party affiliation, nationality, appearance, facial features, and mental/physical handicap, etc.</li> <li>3. Employment policy of equal opportunity and fairness in employment, salary benefits, training, evaluation, and promotion will be ensured. Effective and appropriate complaint channel and mechanism will be provided to respond to and avoid any violation of employee rights. Efforts will be made to create equal employment and to eliminate prejudice and harassment in the workplace.</li> <li>4. Human rights issues will be taken into consideration in all aspects of the value chain of the Company's operation, which including matters regarding our employees, customers, suppliers and the society.</li> <li>5. As a corporate citizen, the Company actively offers support to the disadvantaged and provides emergency aid locally and internationally in a responsive way.</li> </ol>	At present there are no major impediments or deviations in implementation.

<p>(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary</p>	<p>V</p>	<p>Our Principles:</p> <ol style="list-style-type: none"> <li>1. Reasonable working hours: In order to ensure that employees are not exposed to the risk of excessive working hours, the Company has formulated rules of working hours and extending working hours and regularly checks on and manages the attendance of employees.</li> <li>2. Workplace health and safety: In order to avoid potential threats to health and safety posed in the working environment, the Company regularly reviews the health and safety risks of the employees and implements improvement plans according to the results.</li> <li>3. Freedom of association: The Company ensures the freedom of association and the freedom of negotiation for employees.</li> <li>4. Labor-management consultation: The Company establishes a smooth communication channel and holds regular labor-management meetings to protect the rights and interests of both parties.</li> <li>5. Protection of privacy: The Company fully protects the privacy of customers and all stakeholders and ensures that the collection and use of personal data comply with regulatory requirements.</li> <li>6. Forced labor and child labor are prohibited.</li> <li>7. All forms of discrimination, bullying and harassment are disapproved.</li> <li>8. Corruption and bribery are forbade.</li> </ol> <p>(II) The Company complies with the provisions of the Labor Standards Act and relevant rules and regulations to introduce welfare measures and salary that is competitive in the industry to motivate employees. Additionally, performance bonus is paid to employees twice a year based on regular evaluation to share the</p>	
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<p>and compensation?</p>		<p>results of business operation with employees.</p> <p>The Company's Articles of Incorporation specifies that, if the Company makes a profit in a year, the Company accrued employees' compensation at rates of 2%-10% of net profit before income tax. The employees' compensation may be allocated from the range specified in the Articles of Incorporation and upon approval from the Board of Directors.</p> <p>The calculation of the Company's employees' compensations are based on the profits based on each subsidiary's management performance, deducting 10% legal capital reserve, and then allocated from the range specified by each subsidiary. The employees' compensations are distributed to relevant employees based on the weights assigned to each rank. This calculation method has been specified in the Company's performance management method, and available for employees to query on the internal website.</p> <p>The Company has formed an Employee Welfare Committee to plan and offer great benefits including domestic and overseas travel subsidies, attendance bonuses, birthday gifts, marriage allowances, maternity allowances, funeral allowances, hospitalization allowances, as well as cash gifts for the three major festivals and New Year celebration activities, etc. The Company offers employee benefits such as group insurance, health checks and meal subsidies. Regarding the leave system, special leaves are provided in accordance with the Labor Standards Act. For colleagues who need longer leaves due to childcare, major injuries, major accidents, etc., they may also apply for leave without pay to take care of personal and family needs. Realize workplace diversification and equality; men and women enjoy equal pay for equal work and equal promotion</p>	
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<p>(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>	<p>V</p>	<p>opportunities. In 2023, the average proportions of female employees and female executives were 39% and 41.80%, respectively. The Company values the rights and benefits of employees. Concerning hardware facilities, it provides free parking lots, fitness centers, reading areas stocked with books, newspapers and magazines, as well as nursing rooms and employee cafeterias. To let employees enjoy a comfortable, clean rest space during break time, the Company has set aside a bed area for them. To look after employees' physical and mental well-being, the Company has made arrangements for on-site nursing service to provide them with health consultations, thereby creating a friendly and healthy workplace.</p> <p>(III)</p> <p>1. The Company assiduously endeavors to provide employees with a safe and healthy working environment. Besides providing new employee health check-ups and periodic health check-ups for employees, we also deploy labor insurance preventive occupational disease special health check-ups for direct production line staff, offer new employees pre-service occupational safety and hygiene education and training, and comply with mandatory occupational safety and health act required training. Additionally, the Company has adopted guidelines governing "Prevention, Correction, Receiving Complaints, and Punishment regarding Sexual Harassment in the Workplace." These guidelines provide a means for filing complaints, protecting the work environment order, establishing emergency handling procedures, and implementing safety maintenance measures and training for emergency and disaster response capabilities. We extend an annual invitation to local fire departments or professional fire</p>	
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		<p>consultants to deploy to the factory campus for fire prevention lectures and training lessons.</p> <p>The Company has infirmary or first aid kit to offer employees emergency medical assistance, as well as perform employee health promotion and management. Meanwhile, the Company has established on-site labor health consultation and nursing services, implementing health management measures such as ergonomic hazard prevention, prevention of abnormal workload-induced diseases, maternal health protection, etc. The purpose is also to analyze employees' health risks and intervene in time to provide special protection as well as preventive care and management.</p> <p>2. In 2023, a total of 12 employees suffered from 12 occupational accidents (including 4 traffic accidents), accounting for 1.6% of the entire workforce. In order to protect employees' safety, the Company regularly conducted occupational education and training and promotion and reviews the implementation status of the occupational safety campaigns at the monthly management meetings and staff meetings. Furthermore, it also analyzed occupational accidents to adopt relevant measures to prevent the accidents from recurring. Meanwhile, the Company organized occupational safety awareness promotion and relevant competitions from time to time, where the occupational safety implementation status was incorporated into the department's performance appraisal. This is to enhance the employees' awareness of occupational and traffic safety and mitigate the occurrence of occupational accidents.</p> <p>3. In 2023, there were no fire incidents. To enhance the fire prevention and emergency response capabilities, the</p>	
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<p>(IV) Has the Company established effective career development training plans?</p>	<p>V</p>	<p>Company invite local fire departments or specialized fire consultants to conduct fire safety seminars and drills at our factory annually. This ensures that personnel can respond promptly and effectively to emergencies.</p> <p>(IV) The Company has always been steadfastly committed to manpower development and cultivation, endeavoring to provide employees with an open and diverse learning environment, so colleagues can enjoy internal and external training, along with management and peer-mediated guidance, for continuous self-improvement and growth. We concomitantly deploy the new employee professional skills training system to afford employees the highest level of work satisfaction. Also, through work rotations, special project and overseas assignments, our colleagues enjoy mutually synergistic career planning and occupational development, affording them to enjoy their skills growth and build a work platform for happy learning and growth for a better future together.</p> <p>The Company has established “Human Resource Management Procedures”, which at the end of each year plan for the next year’s annual education and training efforts, deploying occupational skills and professional requirements to plan for training courses which will enhance employee capabilities, strengthening overall employee competencies and advancing operational efficacy. In particular, we offer senior executives periodic arrangement of management courses and activities in leadership, strategy and implementation, to enhance their management and leadership skills. The Company schedules annual educational training plan implementation of the following training courses:</p>	
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<p>(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' or customers' rights and consumer appeal procedures?</p>	<p>V</p>	<p>1. New employee pre-service training: including company organization, operating systems, culture and values, quality management, systems operations overview, work task introduction, professional aptitude training and transmission. When new employees report for work we offer a comprehensive pre-service training plan, ensuring new hires can most expeditiously deploy to participate in their actual work.</p> <p>2. Professional training:</p> <p>(1) Internal training offerings: these are taught by colleagues with extensive experience and seniority and have undergone internal training evaluation or department supervisors, providing all the technical skills and professional training course arrangements needed, to enhance employee's personal values and sense of responsibility, adapting work related attitudes and work perceptions while strengthening professional competencies to advance existing work productivity and efficiency as the core to future career development preparation.</p> <p>(2) External training offerings: each year an education and training budget is prepared, with deployment of personnel to professional training institutions for coursework to attain the latest external professional knowledge and technical proficiencies, while encouraging staff to undertake in-service continuing education.</p> <p>(V) The Company has a point of contact designated on company's website and dedicated customer service lines to accept consumer complaints, ensuring specified handling quality and responding to customer issues.</p>	
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<p>(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?</p>	<p>V</p>	<p>(VI) The Company has implemented a supplier evaluation and guidance project to embody the requirements of sustainability in daily supply chain management through supplier selection, audit guidance, performance appraisal and independent inspections. Moreover, the Company also hosts monthly business management meetings, where quality management and relevant business units identify and manage related risks such as insufficient production capacity of suppliers, quality issues or supply chain interruptions.</p> <table border="1" data-bbox="920 523 1809 1433"> <thead> <tr> <th data-bbox="920 523 1263 616">Supplier assessment</th> <th data-bbox="1263 523 1516 616">Supplier evaluation</th> <th data-bbox="1516 523 1809 616">Supplier guidance</th> </tr> </thead> <tbody> <tr> <td data-bbox="920 616 1263 1433"> <ul style="list-style-type: none"> <li>➤ All suppliers must pass evaluations in production, quality, cost, and other aspects, and those meeting all requirements will be preferred in the supplier system.</li> <li>➤ The selection of main raw material suppliers is prioritized based on their attainment of ISO90001, ISO45001, and other relevant certification systems.</li> <li>➤ Suppliers' production qualifications must be complete and comply</li> </ul> </td> <td data-bbox="1263 616 1516 1433"> <ul style="list-style-type: none"> <li>➤ Evaluate monthly delivery accuracy and (production capacity) capability.</li> <li>➤ Evaluate monthly quality (manufacturing) capability.</li> <li>➤ Evaluate monthly cooperation (innovation) R&amp;D capability.</li> <li>➤ Every year, the total score is</li> </ul> </td> <td data-bbox="1516 616 1809 1433"> <ul style="list-style-type: none"> <li>➤ Providing systematic guidance to suppliers whose evaluations do not meet requirements, enhancing their quality, cost, environmental protection, and occupational health management concepts.</li> <li>➤ If continuous guidance does not lead to the supplier meeting evaluation criteria,</li> </ul> </td> </tr> </tbody> </table>	Supplier assessment	Supplier evaluation	Supplier guidance	<ul style="list-style-type: none"> <li>➤ All suppliers must pass evaluations in production, quality, cost, and other aspects, and those meeting all requirements will be preferred in the supplier system.</li> <li>➤ The selection of main raw material suppliers is prioritized based on their attainment of ISO90001, ISO45001, and other relevant certification systems.</li> <li>➤ Suppliers' production qualifications must be complete and comply</li> </ul>	<ul style="list-style-type: none"> <li>➤ Evaluate monthly delivery accuracy and (production capacity) capability.</li> <li>➤ Evaluate monthly quality (manufacturing) capability.</li> <li>➤ Evaluate monthly cooperation (innovation) R&amp;D capability.</li> <li>➤ Every year, the total score is</li> </ul>	<ul style="list-style-type: none"> <li>➤ Providing systematic guidance to suppliers whose evaluations do not meet requirements, enhancing their quality, cost, environmental protection, and occupational health management concepts.</li> <li>➤ If continuous guidance does not lead to the supplier meeting evaluation criteria,</li> </ul>
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			<p>with national regulations.</p> <p>➤ Qualified suppliers are required to sign business integrity agreements and agree to relevant environmental, health, and safety notifications.</p>	<p>divided into four levels (S, A, B', C) to implement corresponding measures.</p>	<p>their supplier qualifications will be revoked, and other qualified suppliers will be sourced.</p>	
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?		V	The Company does not currently publish a Sustainability Report.		The Company plans to follow internationally recognized guidelines to prepare and publish reports such as sustainability report to disclose non-financial information of the Company.	
VI. If the Company has established its sustainable development code of practice according to "Listed Companies Sustainable Development Code of Practice," please describe the operational status and differences: The Company has already established "Sustainable Development Best Practice Principles", and to date internal corporate operations and the provisions of the guidelines have seen no discrepancies or deviations.						
<p>VII. Other important information to facilitate better understanding of the Company's implementation of sustainable development:</p> <p>On December 23, 2021, the Company has proposed an amendment to the "Corporate Social Responsibility Best Practice Principles" and renamed the "Sustainable Development Best Practice Principles" to the Board of Directors to facilitate the effectiveness of its sustainable development performance.</p> <p>(I) Environmental Protection:</p> <p>➤ Addition of sawdust powders, oyster shell powders, coffee grounds and other recycled materials into to plastic products to reduce the use of plastic materials by 30% to 50%, which can significantly reduce the consumption of plastic materials.</p> <p>➤ For three consecutive years, the Company invited all colleagues and their family and friends to participate in the beach cleaning activity, in order to guard the environment on the coastlines of Taiwan physically and reduce the contamination posed by waste to the ecology.</p> <p>(II) Community Services and Social Contributions:</p> <p>➤ The Company and each of its subsidiaries will prepare budget for donation to various social relief entities and groups. If any urgent relief is required in the territory where the Company is located, the Company will do its best to provide fund or supplies.</p>						

**(III) Consumer Rights:**

- The Company has established a consumer complaint handling mechanism to identify the source of the problem and responsibility for customer complaints, tasking the relevant units to make improvements to ensure protection of consumer rights, periodically conducting customer satisfaction surveys to make certain consumers enjoy the best service.

**(IV) Human Rights and Safety and Health:**

- The welfare committee provides employees with domestic and international travel activities, holiday bonuses, birthday bonuses and so on. The committee also offers price discounts with certain stores to encourage employees to do leisure activities outside working hours to reach a work-life balance.
- To ensure the safety and health of employees, the Company provides superior annual health examinations to employees more superior than statutory requirements, and advanced examinations are provided to senior managers. For employees working on the manufacturing site, various inspection related to hearing protection has been enhanced and are concurrently implemented in a workplace environment with noise levels lower than 85 decibels, showing our commitment to building a healthy and safe work environment.
- Enhanced operational safety protection, and provided protective shoes to frontline operators to ensure employees' operational safety.

Note: ESG risk identification and management strategy

ESG Topic	Risk Type	Implementation of risk management
<b>Environment</b>	Environmental Protection and Carbon Reduction	<ol style="list-style-type: none"> <li>1. The Company's key subsidiary, Sanneng Wuxi, has received the “ISO 14001” environmental management system certification in 2019, and also the “High-Tech Enterprises” certificate in Jiangsu Province in the same year, showing that the efforts spent by the Company in the environment practices have been well recognized.</li> <li>2. The Company sets the key execution plan and program each year, and review and follow up the progress of each target periodically to ensure the related target achievement rate.</li> <li>3. Each subsidiary is required to follow up the environmental laws &amp; regulations and issued to be followed by the Company and check whether various SOPs satisfy the current laws and regulations from time to time.</li> </ol>
<b>Social</b>	Occupational Safety	<ol style="list-style-type: none"> <li>1. To ensure the safety and health of employees, the Company provides superior annual health examinations to employees more superior than statutory requirements, and advanced examinations are provided to senior managers. For employees working on the manufacturing site, various inspection related to hearing protection has been enhanced and are concurrently implemented in a workplace environment with noise levels lower than 85 decibels, showing our commitment to building a healthy</li> </ol>

ESG Topic	Risk Type	Implementation of risk management
		<p>and safe work environment.</p> <ol style="list-style-type: none"> <li data-bbox="633 228 2029 427">2. Machinery improvement team was formed to implement feasible improvements. These efforts were positively recognized by the Industrial Safety and Health Association (ISHA) of the R.O.C., which used our experiences as a case study of exemplary improvements. In addition, enhanced operational safety protection, and provided protective shoes to frontline operators to ensure employees' operational safety.</li> <li data-bbox="633 443 2029 531">3. Onsite services began in 2020, and the worker health services program has been formulated. Onsite physicians and nurses provide clinical healthcare services in line with the aforesaid program.</li> <li data-bbox="633 547 2029 686">4. Implement health promotion in the workplace to provide a safe, healthy and supportive work environment for all employees; promote a healthy workplace as well as protective and care measures to foster the physical and mental well-being of employees.</li> </ol>
	Product Safety	<ol style="list-style-type: none"> <li data-bbox="633 710 2029 1013">1. The Company's products comply with various government laws and regulations, and are controlled by the strict quality system in order to provide customers with stable product quality. Meanwhile, in order to ensure the availability of service hotline and communication website to customers, the Company will conduct the customer satisfaction survey voluntarily each year, strengthen the collaborative relationship with customers, and develop the relationship of mutual benefit and common prosperity with customers to lay the foundation for corporate sustainability.</li> <li data-bbox="633 1029 2029 1276">2. In order to transfer the risk over product liability, improve the product safety, protect consumers' interests and rights and fulfill the corporate sustainability responsibility, the Company has maintained the product liability insurance for all products.  The products produced by the Company are in line with the provisions of the Act Governing Food Safety and Sanitation and are providing attestation from third-party institutions including SGS.</li> </ol>
<b>Corporate Governance</b>	Strengthen the Functions of Directors	<ol style="list-style-type: none"> <li data-bbox="633 1300 2029 1444">1. In order to better the directors' understanding about their authority, responsibility and legal liability, the Company plans the continuing education courses for directors each year and provides directors with the information about latest laws &amp; regulations and systems and the competent authority's latest</li> </ol>

ESG Topic	Risk Type	Implementation of risk management
		<p>regulations.</p> <ol style="list-style-type: none"> <li>Maintain the liability insurance for directors, in order to indemnify directors from any legal actions or claims, if they have performed their duties with due diligence.</li> </ol>
	Communicate with Stakeholders	<ol style="list-style-type: none"> <li>The Company analyzes the key stakeholders' condition and important issues concerned about by them, from the point of view of various stakeholders, including shareholders, employees, customers and suppliers, each year.</li> <li>Establish the communication channels with various stakeholders to communicate with them proactively, and also set up the investor mailbox and the contact person corresponding to the employees, customers and suppliers, and appoint dedicated personnel to respond to any questions.</li> <li>If there is any important problem, convene the meeting with stakeholders and have the corresponding unit communicate and negotiate with the stakeholders.</li> </ol>
	Labor Relations	<p>The Company, following its annual plan of human resource demand, recruits high-performing talents through diverse recruitment channels, draft talent training program and strengthen talent training while focusing on developing and retaining its employees.</p>
	Ethical Corporate Management	<p>The Company has set up a dedicated unit for promoting ethical corporate management which reports the implementation to the Board at least once a year to assist the Board in assessing the effectiveness of the ethical corporate management. The Company has adopted "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct", "Procedures and Behavioral Guidelines of Ethical Corporate Management", "Occupational Authority and Representatives System Management Guidelines" and internal control systems, has implemented audits and self-evaluation and has established a whistle-blowing system to prevent corruption and any violation of ethical conduct.</p>
	Consumer Privacy	<p>The Company rigorously protects the confidentiality of trade secrets, highly values intellectual property such as trademarks, patents and works, and has formulated the "Management Guidelines for Intellectual Property Rights" to ensure the protection of consumer privacy.</p>

(VI) Implementation of Climate-Related Disclosure

Item	Implementation Status
<p>I. Description of the supervision and governance of climate-related risks and opportunities by the Board of Directors and management</p>	<p>The Management Center is convening the Group Summit to engage senior executives from diverse subsidiaries in discussions about the company's decision-making process and response to climate change. The Research and Development Center is tasked with spearheading relevant initiatives to guarantee the execution of these policies. The Board of Directors has sanctioned a number of substantial proposals and reports related to climate change for fiscal year 2023. These encompass the capital expenditure proposal for energy-efficient machinery and the building project for solar power production. In the future, the Board of Directors will receive routine updates on the company's progress and operational plans. This will equip board members with a more comprehensive understanding of the company's initiatives, allowing them to offer prompt feedback and recommendations.</p>
<p>II. Description of how identified climate-related risks and opportunities affect the company's business, strategy, and finances (short-term, medium-term, long-term)</p>	<p>Short-term: Our company operates within the mature baking industry, which produces essential consumer goods. Therefore, climatic factors do not directly impact our business operations and strategies. However, in anticipation of international trends and government policies, we increased our capital expenditure on solar power generation equipment in 2023.</p> <p>Medium-term: In response to the net-zero carbon policies established by nations to combat climate change, customer demand is shifting towards products with lower carbon emissions. To meet this demand and enhance our product competitiveness, our company needs to invest more resources into the development of additional products. This is in addition to our existing energy-saving, low-sugar-supporting bread tins, and plastic-reducing plant fiber products. This investment will ensure an increase in competitiveness and revenue growth potential.</p> <p>Long-term: In pursuit of sustainable operations and in alignment with the expectations of the government and our clients regarding ESG, we plan to obtain relevant sustainability management certifications. We will gradually phase out outdated, energy-consuming equipment to reduce electricity costs and decrease carbon emissions.</p>
<p>III. Describe the financial impact of extreme weather events and transformational actions</p>	<p>Sanneng Wuxi, a primary manufacturing plant and significant subsidiary of the company, has obtained ISO 50001 certification and an ISO 14064-1 greenhouse gas assurance statement in 2023. These certifications serve as a foundation for our transition towards a low-carbon model. By identifying the main sources of energy consumption and total greenhouse gas emissions within the company, we are gradually developing budgets, reviewing processes, and researching carbon reduction products. These actions are taken with the aim of progressively reducing the company's greenhouse gas emissions. From a financial perspective, while capital expenditures will increase costs, the enhanced competitiveness of our products will generate revenue. Additionally, the use of renewable energy will reduce electricity costs. Therefore, there will be no</p>

	significant impact on the overall financial situation.
IV. Describe how the identification, assessment, and management process of climate risks are integrated into the overall risk management system	The Company has initiated the identification and assessment of climate risks through the Group Summit. We have implemented related activities by establishing specific projects. The progress of these activities is monitored through regular meetings to ensure that the process aligns with our objectives. If necessary, reports will be presented to the Investment Risk Committee or the Board of Directors. This allows the directors to stay informed about the company's situation and provide suggestions as needed.
V. If using scenario analysis to evaluate resilience against climate change risks, it's necessary to detail the scenarios utilized, parameters, assumptions, analysis factors, and primary financial impacts involved	As of the date of this annual report's publication, our company has not yet utilized scenario analysis to assess the risks associated with climate change. Moving forward, we will continuously monitor climate-related issues and evaluate their impact based on the company's developmental needs and the extent to which we are affected by climate change.
VI. If a transformation plan exists for managing climate-related risks, please outline the details of the plan, including the indicators and objectives for identifying and managing both physical and transitional risks	<ol style="list-style-type: none"> <li>1. As of the date of this annual report's publication, our company has not yet utilized scenario analysis to assess the risks associated with climate change. Moving forward, we will continuously monitor climate-related issues and evaluate their impact based on the company's developmental needs and the extent to which we are affected by climate change.</li> <li>2. The company has implemented the ISO14064-1 approach to greenhouse gas emission inventory in 2022, with the assistance of consultants, to conduct greenhouse gas inventory operations across all subsidiary companies within the group. Among them, Sanneng Wuxi, the Company's primary source of greenhouse gas emissions, obtained an ISO14064-1 assurance statement for the year 2022 in 2023. Using this data as a foundation, in conjunction with ISO50001 energy management, we have identified potential opportunities for energy conservation and reduction of greenhouse gas emissions. This has further allowed us to establish our greenhouse gas management objectives.</li> </ol>
VII. If internal carbon pricing is used as a planning tool, the basis for price determination should be explained	Internal carbon pricing was not implemented in 2023.
VIII. If climate-related goals are set, details should be provided on the covered activities, scope of greenhouse gas emissions, planning timeframe, annual progress, etc. If carbon offsetting or Renewable Energy Certificates (RECs) are used to achieve these goals, information should be provided on the source and quantity of carbon offsets or the number of RECs exchanged	<p>The company has implemented the ISO14064-1 approach to greenhouse gas emission inventory in 2022, with the assistance of consultants, to conduct greenhouse gas inventory operations across all subsidiary companies within the group. Among them, Sanneng Bakeware (Wuxi), our company's primary source of greenhouse gas emissions, obtained an ISO14064-1 assurance statement for the year 2022 in 2023. Using this data as a foundation, in conjunction with ISO50001 energy management, we have identified potential opportunities for energy conservation and reduction of greenhouse gas emissions. This has further allowed us to establish our greenhouse gas management objectives.</p> <p>In an effort to increase the utilization of renewable energy, our company has increased capital expenditure on solar power generation equipment in 2023, with completion expected by the end of the year. In addition to partially replacing our energy sources with renewables, we have also set climate-related goals across various categories as follows:</p> <p>Scope 1:</p>

	<p>We are also taking inventory of high-energy-consuming machinery and gradually allocating budget for the replacement of inefficient, high-energy-consuming equipment to reduce greenhouse gas emissions.</p> <p>Scope 2: Through the utilization of solar power generation equipment, we aim to replace a portion of externally purchased energy, thereby reducing the indirect greenhouse gas emissions produced.</p> <p>Scope 3: Encourage employees to prioritize carpooling, using public transportation, or utilizing electric vehicles when traveling for business. Additionally, we collaborate with upstream and downstream partners to advance towards the goal of a low-carbon value chain.</p>
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IX. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.  
(Please refer to 1-1 and 1-2)

1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information for All Subsidiaries in Consolidated Financial Report

	FY 2022		FY 2023	
	Emissions (tons CO <sub>2</sub> e)	Intensity (tons CO <sub>2</sub> e /NT\$ millions)	Emissions (tons CO <sub>2</sub> e)	Intensity (tons CO <sub>2</sub> e /NT\$ millions)
Scope 1 Direct GHG emission	2,003.9246	/	2,284.5431	/
Scope 2 Indirect GHG emission	5,719.0044		6,619.4996	
Total emissions	7,722.9290	4.1477	8,904.0427	4.672

1-1-2 Greenhouse Gas Assurance Information:

The Company will comply with the requirement of the Sustainable Development Roadmap and conduct the verification and assurance process for the Company for the fiscal year 2028 no later than the fiscal year 2029.

1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Due to global warming, the greenhouse effect has brought impact to humans. The Group lives up to the principle “To become a promoter of cookware safety, environmental protection, energy conservation and carbon reduction” as its mission. We completely review the supply chain of raw materials, high-performing product design, and production processes, and comply with the net zero timetables declared by each country and the net zero pathway and strategies of the government.

Sanneng Wuxi had installed solar panels on the rooftop of the factories for annual capacity of 1.25 GWh in the end of 2023, while evaluating the feasibility of installing solar panels on the rooftop of the factories of Sanneng Taiwan.



(VII) Implementation of ethical corporate management and measures deployed

Performance Evaluation Items	Implementation status (Note 1)			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher</p>	V		<p>(I) The Company has established its “Ethical Corporate Management Best Practice Principles”, whose operating procedures and conduct guidelines clearly delineate policies for achieving integrity on the part of the Company’s Board of Directors and its various management levels, as well as ensuring its implementation of internal administration and external commercial activities. The Company has also signed “Integrity Policy Agreements” with suppliers, so that suppliers, customers, and their relevant operational personnel and institutions can enjoy clear elucidation of the Company’s ethical management principles, along with specific guidelines to govern the Company’s employees when implementing operations. The Company and all its subsidiaries when entering into any contracts should follow the ethical management principles with mutuality, ensure reasonable contract contents, and take actions to fulfill contractual promises.</p> <p>(II) The Company, in its "Procedures and Behavioral Guidelines of Ethical Corporate Management", specifies prohibitions against the following: offering and acceptance of bribes, offering or acceptance of improper benefits, providing or promising facilitation charges, illegal political donations, engaging in unfair competitive practices, improper</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Implementation status (Note 1)			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	V		<p>charitable donations or sponsorship, unethical practices such as revealing business secrets and causing harm to stakeholders. Preventive measures and educational training have been adopted to implement the ethical corporate management policies.</p> <p>(III) The Company has adopted Procedures for Handling Material Inside Information, Employee Codes of Ethical Conduct, a Code of Business Conduct and Ethics for the Board of Directors and Managers, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and deploys internal compliance unit audit mechanisms to prevent business activities in violation of ethical conduct including giving or receiving bribes, providing illegal political contributions or similar misconduct.</p>	
<p>II. Implementing ethical corporate management</p> <p>(I) Has the company evaluated the integrity records of its potential business partners, and stipulated requirements of ethical conduct in its transactions with its prospective business partners?</p>	V		<p>(I) The Company has established an evaluation mechanism for its clients, and all business activities are conducted fairly, transparently, and in accordance with the terms and conditions of contracts, to ensure every customer and each of our business partners a fair and reasonable result. The Company has signed “Integrity Policy Agreements” with its suppliers as well.</p>	At present there are no major impediments or deviations in implementation.

Performance Evaluation Items	Implementation status (Note 1)			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
(II) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		(II) The Company's Office of the CEO is the unit responsible for promoting corporate ethical operations, and on December 22, 2023, it apprised the Board of Directors of its report on the status of implementation of corporate ethical operations in 2023. Implementation in 2023: Holding the "Ethical Corporate Management Sharing" education and training, the course content includes: new trends in ethical corporation, the ethical corporate management of listed companies, and domestic and foreign case sharing, <i>etc.</i> In addition, the company has also established a complete whistleblower system and the identity and content of whistleblowers Confidentiality and incentive measures, and always pay attention to the development of relevant norms of ethical corporate management at home and abroad, so as to improve the implementation effect of the company's integrity management.	
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policies properly?	V		(III) According to the "Rules of Procedure for Board of Directors Meetings" stipulated by the Company, where any conflict of interest appears in each proposal, the said director shall not participate in such discussions in accordance with the principle of avoidance, and there shall be no involvement nor voting on the matter. The Company's "Employee Codes of Ethical Conduct" clearly provide policies for avoidance of conflicts of interest, with employee suggestion boxes and the Company website allowing employees to fully express their viewpoints; this is in addition to a spokesperson system responsible for	

Performance Evaluation Items	Implementation status (Note 1)			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(V) Does the company regularly hold internal and external education and training for ethical corporate management?</p>	V		<p>external communications.</p> <p>(IV) To ensure realization of ethical operations, the Company has established effective accounting systems and internal control systems, with compliance and audit personnel periodically auditing implementation of the systems.</p> <p>(V) The Company has established Employee Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles, with the relevant guidelines published on the Company's internal document management system, available to employees for review at all times. When signing contracts with business partners, we also sign Integrity Policy Agreements to promote and stipulate the relevant guidelines governing ethical operations. On October 17, 2023, Compliance Manager Mr. Lai, Shih-Tung of the Company held education and training on the "Ethical Corporate Management Best Practice Principles" and "Employee Code of Ethical Conduct" for the internal executives and management team.</p>	
<p>III. Operational status of the whistleblowing channels</p> <p>(I) Has the company established a specific whistleblowing and reward system, set up convenient</p>	V		<p>(I) The Company has already provided in its Complaint Report Management Guidelines the channels for reports or complaints. Along</p>	<p>At present there are no major impediments or deviations in implementation.</p>

Performance Evaluation Items	Implementation status (Note 1)			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>whistleblowing channels and designated appropriate personnel to receive complaints?</p> <p>(II) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p> <p>(III) The Company has established a whistleblowing system and set up measures to protect whistleblowers from inappropriate disciplinary actions or retaliation for reporting purposes.</p>	V		<p>with dedicated units for implementing such controls, and for any putative violation of ethical operations' regulations, the provisions of the relevant guidelines are applied.</p> <p>(II) The Company's Complaint Report Management Guidelines have established the Company's internal and external complaint channels and handling system, clearly providing maintenance of the confidentiality of whistleblower's identity and the contents of any complaints. The Company did not get any related issues in 2021.</p> <p>(III) The Company's Complaint Report Management Guidelines have established the Company's internal and external complaint channels and handling system, and the Company is pledged and committed to ensuring full protection of whistleblowers against any form of retaliation for their complaints.</p>	
<p>IV. Strengthening information disclosure</p> <p>Has the Company disclosed the content and effectiveness of its ethical corporate management best practice principles on its website and the Market Observation Post System (MOPS)?</p>	V		<p>The Company provides on its official website, Market Observation Post System and annual report for disclosure of the established contents and promotional efficacy of the Ethical Corporate Management Best Practice Principles.</p>	<p>At present there are no major impediments or deviations in implementation.</p>
<p>V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", please describe any discrepancies between the prescribed best practices and the actual implementation of the Company: No discrepancy or deviation.</p>				
<p>VI. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment</p>				

Performance Evaluation Items	Implementation status (Note 1)			Deviations from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for such Discrepancies
	Yes	No	Summary	
<p>of the Company's Ethical Corporate Management Best Practice Principles):            To implement the basics of ethical corporate management policies, the Corporation operates under the Corporation Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.            On March 17, 2020, the Company has proposed an amendment to its “Procedures for Ethical Management and Guidelines for Conduct” to the Board of Directors to facilitate the effectiveness of its ethical corporate management in the future.</p>				

(VIII) If the Company has established Corporate Governance Principles and related guidelines, disclosure of the method for searching their contents: The Company has formulated its “Articles of Incorporation”, “Rules of Procedure for Shareholders Meetings”, “Rules of Procedure for Board of Directors Meetings”, “Performance evaluation of the Board of Directors”, “Procedures for Election of Directors”, “Organizational Rules of the Audit Committee”, “Organizational Rules of the Remuneration Committee”, “Procedures for Acquisition and Disposal of Assets”, “Operating Procedures for Loaning of Funds to Others and Making Endorsements/Guarantees”, “Procedures for Handling Material Inside Information”, “Corporate Governance Best Practice Principles”, “Sustainable Development Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Procedures and Behavioral Guidelines of Ethical Corporate Management” and “Codes of Ethical Conduct”, which are disclosed on the Company's website (<https://www.sannenggroup.com/>) and on the Market Observation Post System or in its annual report.

(IX) Any material information as to increasing an understanding of the Company’s governance operating status:

1. In addition to being posted in the Corporate Governance section on the Market Observation Post System, information regarding corporate governance of the Company is also disclosed as material information to investors in a timely manner based on its importance.
2. Investors conferences are held from time to time and relevant information is posted on the Company’s website and the Market Observation Post System.

(X) Status of implementation of the internal control system:

1. Internal Control Statement:

San Neng Group Holdings Co., LTD.  
Statement on Internal Control System

Date: March 12, 2024

The Company's internal control system for 2023 is announced according to the results of self-evaluation, and the following is a summary thereof:

1. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the managers of the Company, and the Company has established such a system. Our internal control process is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations, to ensure reasonable assurance thereof.
2. The internal control system has inherent limitations. No matter how complete their design, effective internal control systems are limited to providing reasonable assurance of the aforementioned three objectives. Moreover, in light of the environment and changes in circumstances, internal control system effectiveness may also be affected. However, the Company's internal control system contains self-monitoring mechanisms, and when any fault is noted, the Company immediately deploys corrective action.
3. The Company has made its judgments as to components of, and the effectiveness of the design and implementation of the internal control systems according to the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Compliance Guidelines"). The internal control system adopted in the "Compliance Guidelines" involves the process of management control, and is divided into five elements: 1. The control environment, 2. Risk assessment, 3. Control processes, 4. Information and communication, and 5. Supervision operations. Each constituent element includes a number of items. For the aforementioned items, please refer to the "Compliance Guidelines".
4. The Company has adopted the abovementioned internal control system assessment items to evaluate the effectiveness of the internal control system design and implementation.
5. In accordance with the Company's aforementioned evaluation, the Company found that its internal control system (including the assessment and management of subsidiaries) including efficacy of understanding operations, efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant Guidelines and law, indicate that the internal control system design and implementation are effective, and can reasonably provide assurance of the aforesaid goals as of December 31, 2023.
6. This Declaration will become an integral part of the main contents of the Company's annual report and prospectus, and shall be made public. For any falsehood, concealment, or other illegality in the contents to be made public there will be legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The Statement has been agreed to by the Company's Board of Directors on March 12, 2024, where none of the 9 directors present voted against the resolution, and the remaining directors thus all agreed with the content of the Statement, and such is now attested to.

San Neng Group Holdings Co., LTD.

Chairperson: Chang, Jui-Jung

General Manager: Hsiao, Kai-Feng

2. For any CPA retained to conduct a project review of the internal control system, the CPA's audit report shall be disclosed: None.



(XI) For the most recent fiscal year up to the publication of this Annual Report, explain any circumstances in which the Company or its personnel have been punished by law, any penalties applied to the Company or internal personnel for violations of internal control system regulations, and any material deficiencies and ameliorative action: None.

(XII) Key resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the publication date of this Annual Report.

1. Key resolutions adopted by the Board of Directors

Date	Important Resolutions
2023.03.22	<ol style="list-style-type: none"> <li>1. Approved the Company's 2022 consolidated financial statements, business reports and various accounting and settlement reports.</li> <li>2. Approved the Company's 2022 annual distribution of earnings.</li> <li>3. Approved the Company's payment of 2022 remuneration to directors and employees and salary to the managers of the Company and its subsidiaries.</li> <li>4. Approved the proposal for evaluation on design and effectiveness of execution of the Company's 2022 internal control system, and issuance of the "Declaration of Statement for Internal Control System."</li> <li>5. Approved the Company's authorization required by the Economic Substance Law and annual reporting in the British Cayman Islands.</li> <li>6. Approved the amendment to the Company's "Articles of Incorporation."</li> <li>7. Approved the amendment to the Company, subsidiary's and sub-subsidiary's "Regulations Governing Authorization of Duties and Authority to Approval."</li> <li>8. Approved to proposal for the policy of non-assurance services provided by the audit firm to The Company.</li> <li>9. Approved the re-election of 9 Directors (including 3 Independent Directors).</li> <li>10. Approved the Board's proposal of candidates list for directorship and the release of the new Directors and their representatives from the non-compete clause.</li> <li>11. Approved the proposal for the Company's 2023 annual shareholders' meeting, acceptance of</li> <li>12. shareholders' proposal and nomination period for candidates for Directors.</li> </ol>
2023.05.09	<ol style="list-style-type: none"> <li>1. Approved the Company's consolidated financial statements for the first quarter of 2023.</li> <li>2. Approved the re-purchase of non-controlling interests of sub-subsidiary.</li> <li>3. Approved the amendment to the Company's "Rules Governing Financial and Business Matters Between the Company and its Related Parties."</li> <li>4. Approved the amendment to the Company's "Regulations Supervision and Management of Subsidiaries"</li> <li>5. Approved the credit line application to a bank for the Company.</li> </ol>
2023.06.20	<ol style="list-style-type: none"> <li>1. Approved the election of the Chairperson of the 4th term of the Board.</li> <li>2. Approved the appointment of members for the 3rd Audit Committee.</li> <li>3. Approved the appointment of members of the 3rd Remuneration Committee.</li> </ol>
2023.06.30	<ol style="list-style-type: none"> <li>1. Approved the proposal for transfer of the management of the Company and its subsidiaries.</li> <li>2. Approved the appointment of the Company's CEO.</li> <li>3. Approved the appointment of the Company's financial and accounting officer.</li> <li>4. Approved the re-appointment of directors and supervisors to the Company's investees.</li> <li>5. Approved the release of the new manager from the non-compete clause.</li> <li>6. Approved the appointment of members of the 3rd Risk and Investment Decision-Making Committee.</li> <li>7. Approved the appointment of members for the 2nd Nomination Committee.</li> </ol>
2023.08.23	<ol style="list-style-type: none"> <li>1. Approved the appointment of the Company's financial and accounting officer.</li> <li>2. Approved the Company's consolidated financial statements for the second quarter of 2023.</li> <li>3. Approved the proposal for loaning of funds to subsidiary.</li> </ol>

Date	Important Resolutions
	4. Approved the amendment to the subsidiary's and sub-subsidiary's "Regulations Governing Making of Endorsements/Guarantees." 5. Approved the proposal for annual raise of the Company's managers in 2023. 6. Approved the credit line application to a bank for the Company.
2023.11.11	1. Approved the Company's consolidated financial statements for the third quarter of 2023. 2. Approved the proposal for transfer of the management of the Company.
2023.12.22	Approved the business plan and consolidated financial budget of the Company and its subsidiaries for 2024. Approved the Company's 2024 annual audit plan. Approved the annual evaluation of the independence of the Company's CPAs. Approved the amendment to the Company's "Corporate Governance Best Practice Principles." Approved the proposal for transfer of the management of the Company. Approved the proposal for transfer of the management of the subsidiaries. Approved the annual remuneration of managers of the Company and its subsidiaries. Approved the proposal for loaning of funds to subsidiary.
2024.01.29	1. Approved the proposal for setting up a new sub-subsidiary. 2. Capitalization proposal for the subsidiary.
2024.03.12	1.

2. Important resolutions and implementation status of the shareholders' meeting on June 20, 2023.

(1) Adoption of the 2022 Consolidated Financial Statements and earnings distribution.

Implementation status: The resolutions were passed and relevant announcements and reporting procedures were conducted in accordance with the regulations.

(2) Re-elections of directors and independent directors.

Implementation status:

Upon voting, 9 directors (including 3 independent directors) were elected, and their term of service will be from June 20, 2023 to June 19, 2026. The list of elected directors are as follows:

Directors: Chang, Jui-Jung; Hsieh, Shun-Ho; Chen, Lai-Chun; Tsai, Feng-Lung; Chang, Chih-Hao; Hsiao, Kai-Feng.

Independent directors: Chen, Shuei-Jin; Huang, Chen-Yen; Shih, Kuen-Ho.

Changes to the registration were completed on July 5, 2023 based on the list of directors voted for in elections held at the shareholders' meeting.

(3) Approved the amendment to the Company's "Articles of Incorporation."

Implementation status: Resolution passed and implemented.

(4) Approved the proposal to lift the restrictions on non-competition for appointed directors and their representatives.

Implementation status: Resolution passed and implemented.

(XIII) Major content of any dissenting opinion by a Director or Supervisor memorialized in a record or statement thereof, on the Board's approval of important resolutions in the most

recent year up to the publication date of this annual report: None.

(XIV) Resignation and dismissal of the Company's Chairperson, General Manager, accounting manager, financial manager, internal audit manager, corporate governance officer and R&D manager in the past fiscal year and as of the date of publication of the Annual Report:

Job title	Name	Appointment Date	Resignation Date	Reasons for resignation or dismissal
CEO ( General Manager)	Chang, Jui-Jung	2016.04.30	2023.07.01	Job relocation
Management Center Director	Hsiao, Kai-Feng	2016.04.30	2023.07.01	Job relocation
Financial Officer	Hsiao, Kai-Feng	2016.04.30	2023.07.01	Job relocation
Accounting Officer	Hsiao, Kai-Feng	2016.04.30	2023.07.01	Job relocation

#### V.Information Regarding the Company's Independent Auditor

Unit: NT\$ thousands

Accounting Firm	Name of CPA		Audit Period	Audit Fee	Non-audit Fee	Total	Remark
Deloitte & Touche	Liu, Li-Wei	Ho, Jui-Hsuan	2023.01.01~ 2023.12.31	6,032	275	6,307	The non-audit fee is primarily the expenses in economic substance reporting and maintenance cost.

(I) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons thereof shall be disclosed: None.

(II) Where accounting fees paid for the year were 15% (or higher %) less than that of the previous year, the sum, proportion, and reasons thereof shall be disclosed: None.

VI.Information on Replacement of CPAs:

(I) Former CPAs

Date of Change	Approved by Board of Directors on November 9, 2022		
Reasons and Explanation of Changes	In compliance with internal rotation of Deloitte & Touche Taiwan		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status	Not applicable	
	Appointment terminated automatically		
	Appointment rejected (discontinued)		
The Opinions other than Unmodified Opinion issued in last two years and the reasons for the said Opinions	Not applicable		
Any disagreement in opinion with the issuer	Yes	X	Accounting principle or practice
		X	Disclosure of financial statements
		X	Auditing scope or procedures
		X	Others
	No	V	
Explanation: NA			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	Not applicable		

(II) Successor CPAs

Accounting Firm	Deloitte & Touche Taiwan
Name of CPA	Liu, Li-Wei and Ho, Jui-Hsuan
Date of Engagement	Approved by Board of Directors on November 9, 2022
Prior to the Formal Engagement, Any inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that might be Rendered on the Financial Report	None
Written Opinions from the successor CPAs that are Different from the Former CPA's Opinions	None

(III) The reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None.

VII.Disclosure of the Name, Position and Duration of Service at Firms or Their Associated Enterprises within the Past Year of the Chairperson, General Manager and Managers in Charge of Financial or Accounting Affairs: None.

VIII.Transfer of Stock Options and Changes in Equity Pledge of Directors, Managers and Shareholders Holding More Than 10% of Shares in the Latest Year and as of the Date of

Printing of the Annual Report

(I) Changes in Shareholding of Directors, Managers and Major Shareholders

April 22, 2024; Unit: Share

Job title	Name	2023		As of the current year through to April 22, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	Chang, Jui-Jung	-	-	-	-
Director	Hsieh, Shun-Ho	-	-	-	-
Director	Chen, Lai-Chun	-	-	-	-
Director	Tsai, Feng-Lung	-	-	-	-
Director (Note1)	Chang, Jui-Ching	-	-	-	-
Director and Marketing Center Director	Chang, Chih-Hao	3,000	-	-	-
Director (Note2) and CEO	Hsiao, Kai-Feng				
Independent Director	Chen, Shuei-Jin	-	-	-	-
Independent Director (Note1)	Wu, Chao-Fu	(10,000)	-	-	-
Independent Director	Huang, Chen-Yen	-	-	-	-
Independent Director (Note2)	Shih, Kuen-Ho				
Technology R&D Center Director	Hsu, Ching-Ho	-	-	-	-
Management Center Director (Note3)	Chang, Hsin-Yi	-	-	-	-
Compliance Manager	Lai, Shih-Tung	-	-	-	-

Note 1: Completed the tenure on June 20, 2023

Note 2: Who was elected on June 20, 2023

Note 3: Who was promoted to be management center director on January 1, 2024.

(II) Information regarding any change in shareholdings: None.

(III) Information regarding change in pledged shares: None.

IX. Information of Relationship among the Top 10 Shareholders Who Are Related, Spouses or Relatives within the Second Degree of Kinship

April 22, 2024; Unit: Thousand shares; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Greater Win Holdings Limited	4,062	6.69%	-	-	-	-	Sheng Chia Investment Co., Ltd.	Hsieh, Ming-Hsiao the Legal Representative thereof, is a relative within the first degree of kinship of Hsieh, Shun-Ho, the Legal Representative of Greater Win Holdings Limited	-
Representative: Hsieh, Shun-Ho	-	-	154	0.25%	4,062	6.69%			
Great Flyer Offshore Limited	3,638	5.99%	-	-	-	-	Jui Jung International Limited	Chang, Jui-Jung, the Legal Representative thereof, is a relative within the second degree of kinship of Jui-Ching Chang, the Legal Representative of the Great Flyer Offshore Limited	-
Representative: Chang, Jui-Ching	730	1.20%	-	-	3,638	5.99%			
Beauty Joy Holdings Limited	3,631	5.98%	-	-	-	-	-	-	-
Representative: Chen, Lai-Chun	-	-	-	-	3,631	5.98%			
Jui Jung International Limited	3,603	5.93%	-	-	-	-	Great Flyer Offshore Limited	Jui-Ching Chang, the Legal Representative thereof, is a relative within the second degree of kinship of Chang, Jui-Jung, the Legal Representative of Jui Jung International Limited	-
Representative: Chang, Jui-Jung	498	0.82%	1	-	3,603	5.93%	Uniware International Limited	Chang, Chih-Hao, the Legal Representative thereof, is a relative within the first degree of kinship of Chang, Jui-Jung, the Legal Representative of Jui Jung International Limited	
Uniware International Limited	2,921	4.81%	-	-	-	-	Jui Jung International Limited	Chang, Jui-Jung, the Legal Representative thereof, is a relative within the first degree of kinship of Chang, Chih-Hao, the Legal Representative of Uniware International Limited	-
Representative: Chang, Chih-Hao	312	0.51%	-	-	2,921	4.81%			
Feng Lung International Limited	2,718	4.47%	-	-	-	-	Brilliant Shine Enterprises Limited	Tsai, Jui-Feng, the Legal Representative thereof, is a relative within the second degree of kinship of Tsai, Feng-Lung, the Legal Representative of Feng Lung International Limited	-
Representative: Tsai, Feng-Lung	100	0.16%	1,009	1.66%	2,718	4.47%			
Splendid Star International Ltd.	2,119	3.49%	-	-	-	-	-	-	-

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Representative: Cheng, Shu-Kuang	-	-	-	-	2,119	3.49%			
Brilliant Shine Enterprises Limited	1,730	2.85%	-	-	-	-	Feng Lung International Limited	Tsai, Feng-Lung, the Legal Representative thereof, is a relative within the second degree of kinship of Tsai, Jui-Feng, the Legal Representative of Brilliant Shine Enterprises Limited	-
Representative: Tsai, Jui-Feng	-	-	96	0.16%	1,730	2.85%			
Sheng Chia Investment Co., Ltd.	1,710	2.81%	-	-	-	-	Greater Win Holdings Limited	Hsieh, Shun-Ho the Legal Representative thereof, is a relative within the first degree of kinship of Hsieh, Ming-Hsiao, the Legal Representative of Sheng Chia Investment Co., Ltd.	-
Representative: Hsieh, Ming-Hsiao	252	0.41%	37	0.06%	-	-			
Wu, Yao-Tsung	1,554	2.56%	454	0.75%	-	-	-	-	-

X. Shares Held by the Company, Directors, Supervisors, Managers of the Company and Businesses Controlled Directly or Indirectly by the Company of the Same Reinvestment Business and the Consolidated Calculation of the Comprehensive Shareholding Ratio: None.

## Chapter IV. Fund-raising

### I.Capital and Shares

#### (I) Source of capital stock

April 30, 2024; Unit: Thousand shares/ NT\$ Thousands

Year/Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2015.04	USD\$1	50	USD 50	1 Share	USD 1 dollar	Capital stock at establishment	-	Note 1
2016.04	NT\$10	200,000	NTD 2,000,000	20,000	NTD 200,000	-	Transfer of EGI shares to issue new shares	Note 1
2016.10	NT\$10	200,000	NTD 2,000,000	44,000	NTD 440,000	Capital reserve transferred to 240,000 thousand dollars	-	Note 1
2016.12	NT\$40	200,000	NTD 2,000,000	54,000	NTD 540,000	Cash capital increase of 100,000 thousand dollars	-	Note 1
2018.12	NT\$10	200,000	NTD 2,000,000	60,750	NTD 607,500	Cash capital increase of 67,500 thousand dollars	-	Note 2

Note 1: The Company issued a public offering in October 2018, so the capital increase in the previous year did not have the approval date and document number by TWSE.

Note 2: Oct. 19, 2018 Approval Letter TWSE Tai- Cheng-Shang-2-Tzu No. 10717035361 on file.

April 30, 2024; Unit: Thousand shares

Type of Shares	Authorized Capital			Note
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	60,750	-	60,750	First listed company

### Information Relating to the Shelf Registration System

April 30, 2024; Unit: Thousand shares/ NT\$ Thousands

Type of securities	Amount to be issued		Amount already issued		The purpose and anticipated benefits of the portion already issued	Scheduled issuance period for the unissued portions	Remarks
	Total no. of shares	Amount approved (NT\$)	Total no. of shares	Amount approved (NT\$)			
Stock	200,000	NTD 2,000,000	60,750	NTD 607,500	Replenishing operating capital	NA	-



## (II) Shareholder structure

April 22, 2024; Unit: Share

Shareholder Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	10	15	1,288	30	1,343
Shareholding	-	239,000	4,866,000	25,443,566	30,201,434	60,750,000
Percentage	-	0.39	8.01	41.88	49.71	100.00

Note: The shareholding percentage of Mainland Chinese is 0%.

## (III) Diversification of share options

Common Stock

April 22, 2024; Unit: Share

Class of Shareholding	Number of Shareholders	Shareholding	Shareholding percentage (%)
1 ~ 999	151	11,589	0.02
1,000 ~ 5,000	852	1,609,800	2.65
5,001 ~ 10,000	109	872,313	1.44
10,001 ~ 15,000	37	485,200	0.80
15,001 ~ 20,000	26	486,341	0.80
20,001 ~ 30,000	37	940,988	1.55
30,001 ~ 40,000	12	434,000	0.71
40,001 ~ 50,000	13	592,000	0.97
50,001 ~ 100,000	30	2,244,855	3.70
100,001 ~ 200,000	20	2,957,230	4.87
200,001 ~ 400,000	22	6,135,992	10.10
400,001 ~ 600,000	12	5,889,908	9.70
600,001 ~ 800,000	7	4,878,500	8.03
800,001 ~ 1,000,000	2	1,900,000	3.13
1,000,001 or over	13	31,311,284	51.53
Total	1,343	60,750,000	100.00

Note: The Company has not issued special shares, so there is no diversification of special shares options.

(IV) Main shareholders list: list the names of shareholders holding more than 5% of shares or those with the top ten shareholdings, the amount of their shareholdings and its percentile

April 22, 2024; Unit: Share

Name of major shareholders		Shares	Shares	Percentage (%)
1	Greater Win Holdings Limited		4,061,800	6.69
2	Great Flyer Offshore Limited		3,638,200	5.99
3	Beauty Joy Holdings Limited		3,631,400	5.98
4	Jui Jung International Limited		3,603,200	5.93
5	Uniware International Limited		2,920,500	4.81
6	Feng Lung International Limited		2,717,800	4.47
7	Splendid Star International Ltd.		2,118,934	3.49
8	Brilliant Shine Enterprises Limited		1,730,200	2.85
9	Sheng Chia Investment Co., Ltd.		1,710,000	2.81
10	Wu, Yao-Tsung		1,554,200	2.56
Total			27,686,234	45.58

(V) Related information of market price per share, net value, earnings and dividends for the past two years

Items		Year	2022	2023	As of April 30, 2024
Market price per share	Highest		49.20	43.20	44.80
	Lowest		35.40	36.55	40.10
	Average		44.15	41.17	42.00
Net worth per share	Before distribution		27.60	28.02	NA
	After distribution		25.60	25.52	NA
Earnings per share	Weighted Average Shares (Thousand shares)		60,750	60,750	NA
	Earnings per share	Earnings per share (retrospective)	2.43	2.89	NA
		Earnings per share (prospective)	2.43	2.89	NA
Dividends per share	Cash Dividends		2.00	2.50	NA
	Stock dividends	Dividends from retained earnings	-	-	NA
		Dividend for paid-in capital	-	-	NA
	Accumulated Undistributed Dividends		-	-	NA
Return on Investment Analysis	Price-to-earnings ratio		17.97	13.93	NA
	P/D Ratio		21.83	16.11	NA
	Cash dividend yield		4.58%	6.21%	NA

Information sources: The Consolidated Financial Reports duly approved by the Auditor CPAs.

(VI) Company's dividend policy and implementation status

1. The Company's Dividend Policy according to the Articles of Incorporation

The Company's operations are currently in the growth stage, and the Board of Directors considers the Company's fiscal year net income, overall growth, financial planning, capital requirements, industry aspirations and the Company's future growth vision, to determine the Board of Directors proposal to the shareholders for distribution of dividends, which is considered by resolution of the shareholders' meeting. While shares are traded on exchanges in the Republic of China, the Board of Directors consider distribution of net income proposals, and must first provide for net income distribution during the fiscal year as follows:

- (1) Payment of tax obligations owing for the fiscal year;
- (2) Compensating any past losses;
- (3) 10% of net reserves (hereafter, statutory surplus reserves) (except where the statutory surplus reserve obligation already matches the total capitalization, then this provision does not apply); and
- (4) Special surplus reserves as determined according to the Republic of China agency of competent jurisdiction for securities pursuant to the regulations governing publicly traded companies.

If the balance of the undistributed earnings remains accumulated with undistributed past earnings in whole or in part, the Company shall propose to the general shareholders' meeting, in light of financial, business and operational considerations, to issue an ordinary resolution in accordance with the Cayman Islands Law and the Public Offering Regulations, with not less than 20% of the distributable surplus, adding all or part of the undistributed surplus of the previous year (including an adjusted undistributed surplus amount) as determined by the general shareholders' meeting of the Company by ordinary resolutions, for dividends/bonuses to shareholders based on shareholding ratios. Shareholders' dividends shall be distributed in a manner that combines stock dividends and cash dividends, and the amount of cash dividends/stock dividends shall not be less than 20% of the total dividends/bonuses paid.

2. Dividend distribution:

The Board of Directors approved to distribute cash dividend with NTD 2.5 per share on 12 March, 2024.

3. Explanation for expected major dividend policy changes: None.

(VII) Impacts of free share assignment intended through the current shareholders meeting on the Company's operational performance and earnings per share:

This meeting of the Shareholders did not adopt a resolution for distribution of dividends, and the Company pursuant to regulations is not required to release financial forecasts, so this provision is inapplicable.

(VIII) Remunerations for employees, directors and supervisors:

1. Quantity or scope of compensation for employees, directors, and supervisors as prescribed under the Articles of Incorporation :

In accordance with the Articles of Incorporation of the Company, if the Company has annual profit, then 10% shall be appropriated to employee remuneration, with the Board of Directors resolving to distribute same by shares or cash, to those employees who meet specified conditions. The Company may also in accord with the aforementioned profit, resolve by the Board of Directors to provide Directors' remuneration in a sum of not more than 5% of said profits. Proposals for the distribution of employee compensation as well as Director compensation shall be submitted to the Shareholder's Meeting.

However, if the company still has an accumulated deficit, the amount required to offset the deficit shall first be retained.

2. Accounting treatment for the basis of estimating the amount of the employees' compensation and director's and supervisors' remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and accounting handling for any discrepancy between the actual amount distributed and the estimated figures:

The Company shall calculate the remuneration of employees and Directors in proportion to the net profit before tax for the current year before deducting employee and Director remuneration. If there is a change in the amounts after the annual financial statements are authorized for issue, the differences should be recorded as a change in the accounting estimate in the following year.

3. Information on allocation of compensation approved by the Board of Directors:

- (1) The amount of employee compensation and directors' remuneration distributed in cash or shares: The Company's Board of Directors resolved on March 12, 2024 to propose a distribution of NT\$17,052 thousand dollars for employee remuneration and NT\$5,367 thousand dollars for Director remuneration. There is no difference between the estimated amount of compensation and that recognized for the current year.
- (2) The amount of employee compensation distributed in stock and the ratio thereof to total net income after tax and total employee benefits in the current period: The Company did not propose to distribute employee stock remuneration in 2023.

4. Actual distribution of employees and directors' compensation in the previous year

The Company's annual shareholders' meeting was held on June 20, 2023, and determined to distribute annual employee compensation of NT\$14,303 thousand dollars, and the sum was the same as was recognized in the 2022 financial report. The Company's estimated Directors' remuneration for 2022 was NT\$4,515 thousand dollars which was the same as the NT\$4,515 thousand dollars approved for distribution in the report of the 2023 Annual Shareholders' Meeting.

- (IX) Buyback of the Company stock: None.
- II. Corporate Bonds: None.
- III. Preferred Stock issued: None.
- IV. GDR (Global Depositary Receipt) issued: None.
- V. Employee Stock Options issued: None.
- VI. Issuance of New Restricted Employee Shares: None.
- VII. Issuance of New Shares in Connection with the Merger or Acquisition: None.
- VIII. Implementation of Capital Utilization Plan: None.

## Chapter V. Operational Highlights

### I. Business activities

#### (I) Business scope

##### 1. Core business activities

The Company is a holding company with subsidiaries engaged in actual business operations including Sanneng Taiwan, Sanneng Wuxi, Sanneng Japan, Sanneng Indonesia, Xinneng, Squires, Sanneng Guangzhou and Sanneng Indonesia Industry. The company's main business lines involve manufacturing, processing, sale, commerce, and representing baking equipment and peripheral products. The Company's products are baking utensils used in the upstream segments of the baking industry. "Baking utensils" refer to items required for the production of various breads, cakes, biscuits, candies, Chinese style pastries, wedding cakes, moon cakes, and snacks, other than baking equipment and raw materials. Baking utensils include over one thousand varied products such as baking molds(baking trays, loaf pan, cake mould, multi-link mould, hamburger mould, pizza pan, mousse ring), baking tools( eggbeaters, eggbeater series, scraper and spatula series, measuring series), pre-store products series, decorating tools set( tips, pastry bags, cake turntable series, cart series, kitchen supplies, and small household appliance series. There are six functional product categories, including customized products, baking molds, baking appliances, household appliances, ingredients, and other appliances.

Since 2020, there has been a focus on the catering market. In addition to promoting existing products in this market, there has been an effort to develop products tailored specifically for the catering industry. The main clients targeted include the Yum! Brands (KFC, Pizza Hut), Domino's Pizza, and Starbucks. Additionally, products commonly used in the catering industry such as steamer ovens have been developed, along with corresponding accessories like baking trays, chicken racks, egg steaming trays, and frying baskets.

##### 2. Revenue by products in 2021 and 2022

Unit: NT\$ thousands

Category \ Year	2022		2023	
	Net Revenue	% of Revenue	Net Revenue	% of Revenue
Customized products	619,800	33.29%	564,954	29.64%
Baking molds	677,653	36.39%	785,906	41.24%
Baking appliances	405,687	21.79%	424,925	22.30%
Household appliances	38,773	2.08%	27,124	1.42%
Ingredients	45,408	2.44%	31,726	1.66%
Other appliances	74,641	4.01%	71,204	3.74%
Total	1,861,962	100.00%	1,905,839	100.00%

##### 3. Current products (services) offered by the Company

Among the products currently sold by the Company in the six functional product

categories, including customized products, baking molds, baking appliances, household appliances, and other appliances, these are briefly explained as follows:

Product name	Explanation
Customized products	Customized products refer to those special products ordered by customers to meet their unique requirements for specifications or materials or other needs, are distinctively different from generic standardized products found in the market, and cater to the specialized production equipment or manufacturing processes
Baking molds	Baking molds include various types of baking trays, toast boxes, cake molds, and pie plates which are used in toasters or oven equipment.
Baking appliances	Baking appliances include egg whisks, mixing bowls, pastry tubes, pastry bags, revolving cake stands, knives, and trolleys used for processes prior to, during, or after baking, and include all items which are not required to be used in ovens.
Household appliances	Household appliances refer to our UNOPAN brand and SANNENG HOME series products designed for household baking utensils and equipment.
Ingredients	Ingredients refer to raw materials and relevant materials used when baking goods, including flour, prepared mix, fillings, fats and oils, food coloring, and other baking ingredients.
Other appliances	Other appliances refer to products which the Company represents or anything beside the aforementioned five categories.

#### 4. Planned development of new products (services)

- (1) Develop applied products using advanced surface processing treatment;
- (2) Continue to develop new product alternatives to replace plastic;
- (3) Develop products that reduce baking times;
- (4) Develop trend-setting creative products;
- (5) Develop baking molds for catering equipment;
- (6) Promote environmentally friendly non-stick coating refinish service;
- (7) Provide product proposal service through working with bakery technician teams and raw material manufacturers strategic alliance;
- (8) Deploy strategic alliances to develop customized products for customer needs
- (9) Develop outdoor products;
- (10) Develop non-fluorine coatings

#### (II) Industry Overview

##### 1. Current status and development potential of the industry

## (1) Global baking industry overview

The baking industry has developed from the 17th century to the present, and contributes primary components to the diet of Europeans and Americans including toast, bread, and cookies, all of which constitute a significant part of the three daily meals. These are essential to the Western diet and comprise a mature and stable part of the market. Asia's baked goods sector has been developing in line with globalization in recent years. Although baked goods have only recently arisen in the region, the rapid pace and spread of information have given consumers greater awareness of baked goods. Baking market sales have also increased in line with growing personal income and living standards. With the baking industry accelerating its development worldwide, the total baking market size continues to expand, and this has stimulated baking utensil industry growth and technology development.

According to market research data, the global market size for bread and rolls reached \$206.03 billion in 2020 and \$238 billion in 2021. It is projected that from 2022 to 2025, the global market for bread and rolls could reach a scale of \$290.1 billion. The market size for cakes, pastries, and pies reached \$163.7 billion in 2021, and it is anticipated that from 2022 to 2025, the global market for cakes, pastries, and pies could reach a scale of \$194.9 billion.

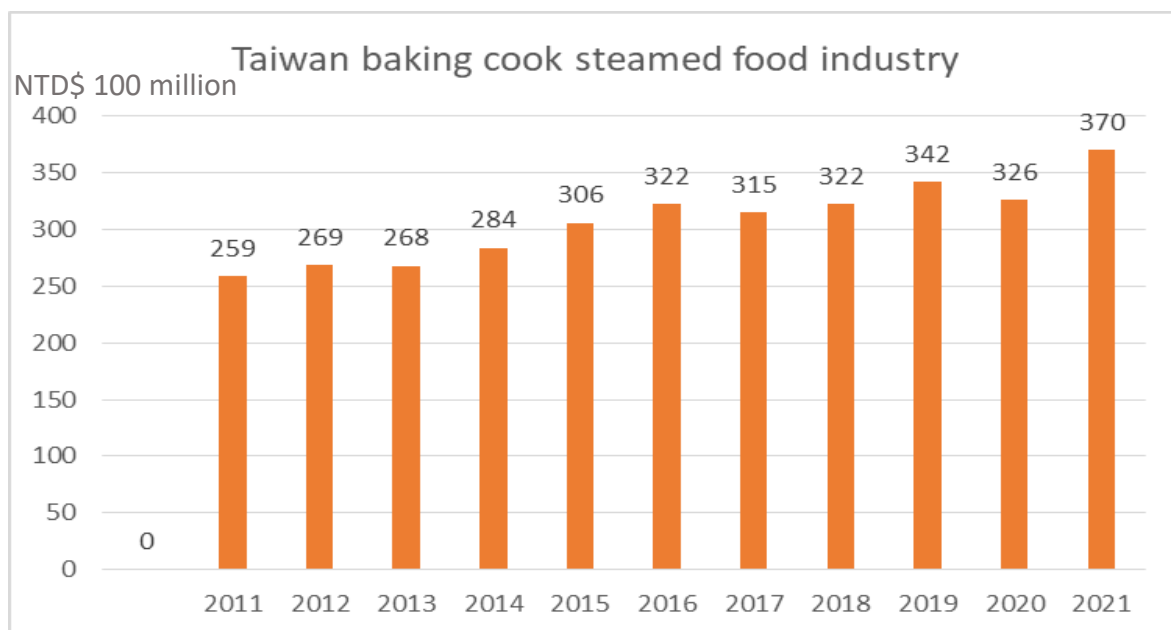
The types of customers in the bakery industry can be categorized as follows: independent bakeries, bakery chains, convenience stores, supermarkets, baking schools, baking instruction classes, and central production facilities. These central facilities include factories for bakery chains, contract baking factories, frozen dough production sites, and distribution channel factories.

## (2) Overview of the Taiwan baking industry

Originally, Taiwan's diet largely incorporated rice, but as the United States began providing defense and aid in 1949, it also provided raw ingredients such as flour, butter and milk, while also introducing bread and cake related Western baking techniques to Taiwan. In 1962, the government began promoting its agricultural economics policy and established the Taiwan Region Bread Foods Promotion Committee (now the China Grain Products Research & Development Institute) designed to advance the public's eating habits and increase public nutrition. In 1979 the government opened up tourism and observation missions, allowing Japanese baking experts to visit Taiwan for lectures and placing an emphasis on developing technology and manpower cultivation. In 2008, Wu Bao-chun, Tsao Chih-hsiung and Wen Shih-Cheng won the Bronze Medal at the Paris Coupe du Monde de la Boulangerie (Coupe Louise Lesaffre), affording Taiwan baking international visibility, while promoting innovation and developing the gastronomy path for Taiwan bakers.



In accordance with the amended Standard Industrial Classification for the Manufacture of Bakery Products published by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, the industry now includes bread, western pastries, cakes, cookies, Chinese pastries, Chinese glutinous rice cakes, Chinese turnip cakes, and rice crackers. Observation of the trend in production value of the Taiwan steamed foods industry from 2011 through 2021 shows as below:



Source: Accounting Department, Ministry of Economic Affairs

The financial tsunami in 2009, production dropped to only NT\$23.8 billion. In 2010, with the economy recovering, steamed foods industry production continued to rise through 2012. But in 2013, several incidents occurred including the import of toxic starch containing maleic acid and cottonseed oil sold as counterfeit olive oil, as well as TOP POT BAKERY selling artificially flavored breads and other food safety incidents. Overall food market in Taiwan has declined, disrupting the growth of annual production value of baked and steamed goods manufacturing industry and causing the production value to decrease to NT\$26.8 billion. The situation prompted the government to focus on business management of the industry and to impose stricter food safety laws. In 2015, the annual production value topped NT\$30 billion for the first time to reach NT\$30.6 billion and hit record value of NT\$32.2 billion later in 2016. The overall compounded annual growth rate from 2013 to 2016 was approximately 5.03%. In 2017, the baked and steamed goods industry production declined to NT\$31.3 billion, primarily as a result of the amendments to the Labor Standards Act requiring “one fixed day off and one flexible rest day” for employee work schedules. This caused changes in manpower requirements and availability for production processes. Additionally, the number of Chinese tourists visiting Taiwan shrank drastically. These factors resulted in a decreased production value for the baked and steamed goods industry for the first time in the past

five years. In 2018, baking industry in Taiwan began to develop diversified business models, including fusion stores that sell tea beverages and baked goods. Supermarkets have begun to focus on consumers' desire to satisfy all their shopping needs at once, and have placed dedicated fresh baked goods areas in their stores. Convenience stores have also considered the needs of the working class, students, and commuters for light, convenient food and beverages by offering ready-made bread sold in conjunction with beverages as combo deals to boost total sales. Along with the growth of the number of sales locations for baked products, demand for baked goods raised, and thus boosted the annual production value to NT\$37 billion in 2021. It is forecasted that bakery industry in Taiwan will continue to grow, at a slow pace, in the future.

According to a report on baking products by Euromonitor International, the Taiwanese baking industry's value fluctuated between NT\$61.1 billion and NT\$65 billion from 2016 to 2021. The industry experienced a 9% decrease in 2021 compared to its peak value of NT\$70.5 billion in 2019. The report encompasses a variety of baking products, including bread, desserts, dessert premixes, frozen dough, and pastry products. Of these, dessert premixes saw the most significant growth in 2021, with a 28% increase, reaching NT\$191 million. Uni-President Foods commands a 15% share of the overall market.

Table 2 Sales of Baked Goods by Category: Value 2016-2021

TWD million	2016	2017	2018	2019	2020	2021
Baked Goods	65,065.4	66,946.5	68,655.0	70,508.7	67,495.2	61,185.7
Bread	2,773.2	2,843.3	2,911.0	2,955.8	2,949.7	2,886.1
- Flat Bread	207.0	211.6	215.4	218.9	217.8	206.3
-- Packaged Flat Bread	39.8	41.2	42.2	42.9	44.7	48.2
-- Unpackaged Flat Bread	167.2	170.5	173.2	176.0	173.1	158.1
- Leavened Bread	2,566.2	2,631.7	2,695.7	2,736.9	2,731.9	2,679.7
-- Packaged Leavened Bread	246.6	262.8	277.2	291.4	345.9	484.1
-- Unpackaged Leavened Bread	2,319.6	2,368.9	2,418.5	2,445.5	2,386.0	2,195.6
Cakes	10,289.8	10,527.5	10,750.7	11,006.4	11,492.9	10,209.5
- Packaged Cakes	2,397.8	2,449.0	2,493.7	2,540.7	2,705.2	2,944.0
- Unpackaged Cakes	7,892.0	8,078.4	8,257.0	8,465.7	8,787.6	7,265.4
Dessert Mixes	118.9	123.8	128.7	133.2	149.1	190.8
Frozen Baked Goods	-	-	-	-	-	-
Pastries	51,883.6	53,452.0	54,864.5	56,413.3	52,903.5	47,899.4
- Packaged Pastries	16,523.6	16,966.1	17,495.5	17,966.0	15,248.7	13,416.9
- Unpackaged Pastries	35,359.9	36,485.9	37,369.0	38,447.3	37,654.8	34,482.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

The majority of consumers in Taiwan traditionally favor purchasing freshly baked bread and toast directly from bakeries. This preference has led to substantial growth in the bakery sector over the past ten years. However, the emergence of the pandemic in 2021 has prompted a change in consumer behavior, with a decrease in visits to non-essential businesses. This shift has led consumers to increasingly turn to supermarkets or large retail outlets for their shopping needs, including the purchase of bread and toast.

PX Mart is currently focusing its investments on the expansion of its bread and toast sales. There is an observable increase in the trend of consumers buying bread and toast from convenience stores. Traditional bakeries, on the other hand, typically cater to schools and various events. However, the pandemic has had a substantial impact on these traditional bakeries due to the suspension of many schools and events. Historically, international and local Taiwanese tourists alike had a tendency to buy souvenirs, especially popular items such as sun cakes and egg yolk pastries. However, the global pandemic has significantly decreased the influx of international visitors to Taiwan. Although Taiwanese consumers continue to travel within the country, the restrictions on international travel have resulted in a substantial decrease in the demand for baked goods and other souvenir items.

While conventional bakeries and gift stores have experienced effects, the restrictions on going out have led consumers to increase their home baking activities. Additionally, the presence of numerous online tutorials has encouraged many consumers to experiment with baking bread, cakes, or cookies at home. As a result, there has been a significant increase in online sales of baking ingredients and molds.

### (3) Overview of the Chinese baking industry

The bread and cakes industry was introduced to China from Taiwan and Hong Kong in the 1980s, originally from family based bakery workshop operations with largely similar products and low market penetration rates. As the Chinese economy has rapidly developed, the public's standard of living has risen. Given the faster spread of information, moreover, Chinese eating habits have been gradually Westernized, leading to growth of the baking industry and international brands entering the China market.

According to "2018-2024 China Baked Goods Industry Market Competition Status and Strategic Investment Research Report" published by the Intelligence Research Group, the baked goods industry in China has been growing rapidly since 2010 and the sales volume of the industry from 2005 to 2024 is as below:

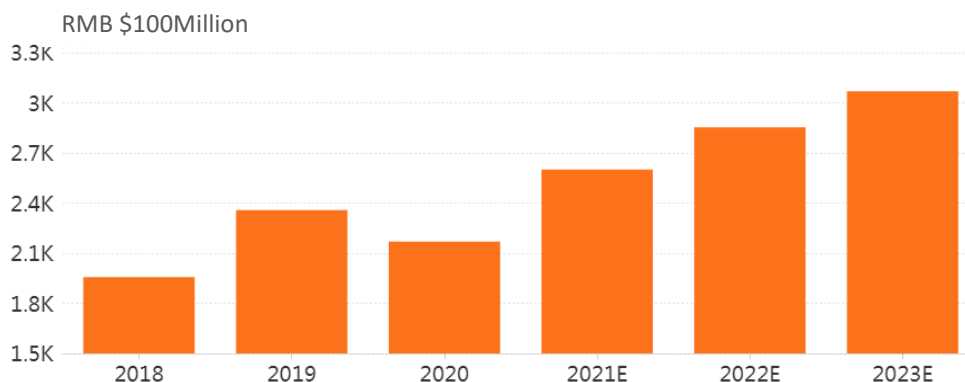


Source: China Industry Information Network ([www.chyxx.com](http://www.chyxx.com))

The market size of the baking industry in 2009 was approximately RMB 72.9 billion, and it reached RMB 164.8 billion in 2016. The compound annual growth rate in 2009-2016 was 12.4%. In between, the China bakery industry sales increased from RMB 13.1 billion in 2009 to RMB 28.6 billion in 2016, with a compound annual goal growth rate of approximately 11.8%.

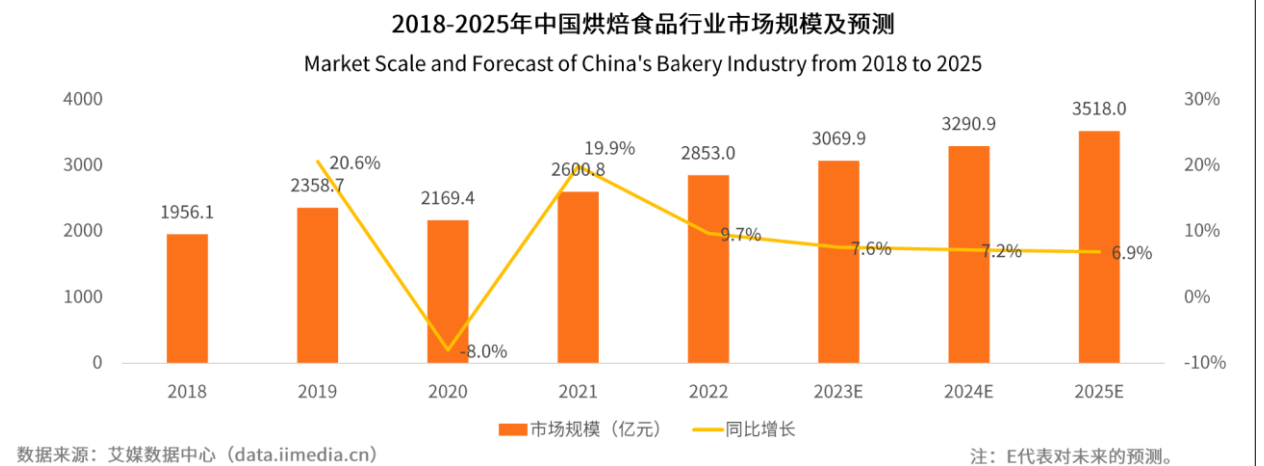
Additionally, according to the data analysis of iiMedia Research on baked food manufacturers in China, the baked food scale is expected to attain RMB285.3 billion in 2022; besides, in consideration of the increasing recovery from the COVID-19 epidemic, the market scale is expected to continue growing. Trends of revenues from the baking industry are shown in the following chart:

**Market size and forecast of China's bakery food industry from 2018 to 2023**



Source: : iiMedia Research 、data.iimedia.cn

In terms of the supply, the baked food manufacturers' production scale in China is expected to keep expanding. According to the "China Food Industry Yearbook," the compound annual growth rate of operating revenue generated by the enterprises of the pastry and bakery industrial scale has been more than 15% in the recent years, far higher than that of the food industry in the same period, i.e. 5%, and also higher than that of the global bakery industry. According to the data analysis of iiMedia Research, the market scale of baked food in 2021 was expected to attain RMB260.1 billion, i.e. the YoY growth by 19.9%. Considering that the economy is recovering from the epidemic, the baked food market will maintain the YoY growth by 10% approximately. The market scale of baked food in China is expected to attain RMB306.99 billion in 2023. Baking continues to be a very popular industry in China; it is an industry full of positive strength, warmth, and sweetness. After going through 2020 and cross-generational growth, the baking industry will continue its growth in the Chinese market.



The main reasons behind the rapid growth in the China baking market have been increasing wages accelerating higher consumption. According to data from the China National Bureau of Statistics, China's GDP totaled RMB 74.4127 trillion in 2016 and per capita disposable income was merely RMB 23,821. However, the first item on the agenda of the "14th Five-Year Plan" proposed at the 5th Plenary Session of the 19th Central Committee of China Press conference in 2020 was to achieve a middle-income society and to increase national income. Report from Sing Tao Daily stated that, while the world was affected by COVID-19 and world economies suffered, China's gross domestic product (GDP) showed an annual increase of 8.1%. It surpassed the 8.0% according to market predictions, and successfully exceeded RMB one trillion, reaching 114.4 trillion, surpassing the level of one trillion for two consecutive years. This figure indicated that by increasing national income, the consumer spending will continue to rise, which will drive the continued public spending on baked goods. Also, the Yubo Info report titled "2016-2021 China Baking Industry Operations Trends and Investment Strategy Research Report" indicates that baked products should be promoted on a widespread basis as soon as the level of economic development reaches a certain level, in line with the evolution of the baking history and other nations' experiences. Currently in China, first and second tier metropolises such as Shanghai, Beijing, and Guangzhou enjoy per capita disposable income that allows for rapid growth of the baking industry. Meanwhile, third, fourth and fifth tier cities as well as towns and villages in the countryside can expect to see rising development of the baking industry as incomes rise. Along with the increase in the consumer demographic and steady annual growth in the baking market, demand for baking pans, toast pans, and other baking utensils will also rise. In 2022, apart from consolidating the original sales channels, the Company will actively use online blogs, sharing collaboration platforms and social networks (such as Facebook, Instagram, Weibo, MEWE and TIKTOK) and other self-media means to develop the market its products. At the same time, the Company will develop the catering market, the chain café market and promote its products actively through large

chains and co-branding with baking celebrities.

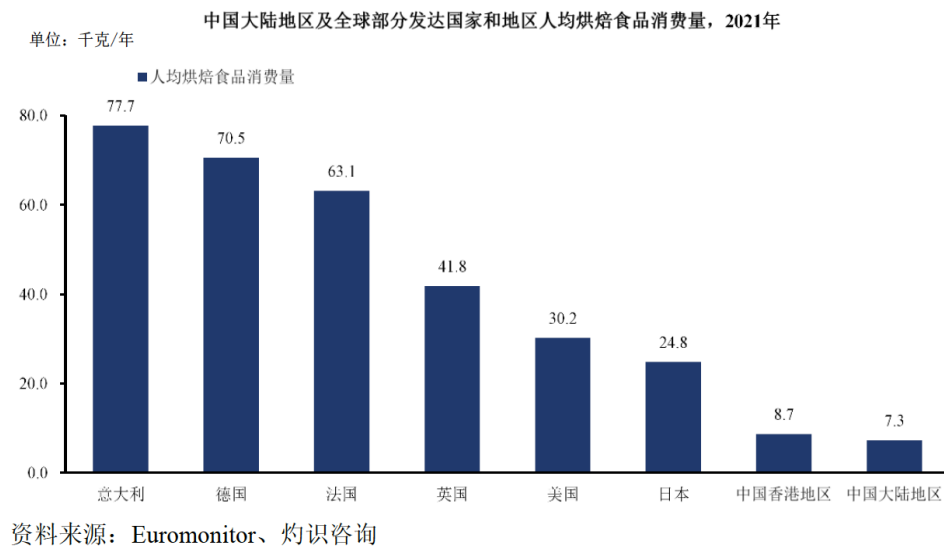
The COVID-19 outbreak in 2020 has an impact on Chinese industrial operations and economic growth, yet it also has led to changes in consumption patterns. With an increasing number of consumers baking at home, along with sales on e-commerce platforms, endorsement and live streaming promotion by online celebrities, have doubled the operating sales number of e-commerce business and thus have been beneficial to the sales of baking ingredients and baking molds. At least millions of businesses of traditional distribution channels, including those in other industries, have joined e-commerce platforms. Faced with weakened economy during the outbreak, large businesses have transferred their employees to sales representative positions to accelerate transition to online sales and other channels such as sales in communities, group buying, micro shops, TikTok and so on to create revenue. Also driven by the pandemic, bakery businesses have begun to utilize live streaming platforms to advertise their corporate culture, new products, and educational training regarding finances, product knowledge, and industry trends. On top of enhancing brand loyalty, these advertisements also enhanced customer communications, and this trend is expected to continue in this year.

Sales of central factories have also increased as a result of the pandemic. Due to convenience and safety, more families have moved away from bread with longer shelf life (good for 1-3 months) and opted to purchase bread with shorter shelf life (good for 2-3 days). Changes in consumer habits have accelerated the plan for China's baking industry to build new central factories, which also brings new business opportunities to the baking industry.

Due to the increasing costs of rent and labor in large chain stores, more and more outlets are adopting frozen pre-made products to reduce costs. These products include frozen bread (toast, European bread, donuts, puff pastries) and frozen pastries (puff pastries, cakes, tart shells, cakes). Notable companies in this sector include Li Gao Foods (also known as Ao Kun Foods) with a scale of about 1.7 billion RMB, Gao Bei with a scale of about 300-400 million RMB, Évirth with a scale of about 300 million RMB, La Rose Noire with a scale of about 100 million RMB, Xin Wan Lai Food with a scale of about 300 million RMB, and Namchow with a scale of about 200 million RMB. Our company is also intensifying its close cooperation with these frozen pre-made product companies.

As the Chinese economy expands, the average income of its citizens continues to increase. The fast-paced, high-pressure work environment often leads younger consumers to choose sandwiches and bread for breakfast due to their convenience and speed of purchase. Families with children also commonly purchase bread in the evening

to serve as the next day's breakfast. Compared to the average bread consumption of 24.8kg/year in Japan and 8.7kg/year in Hong Kong, per capita bread consumption in mainland China is projected to rise further, fueling the overall growth of the bakery market. Chinese-style pastries have become increasingly popular in recent years, attracting young consumers with their modern image and adoption of Western-style approaches such as low oil and low sugar. Office workers frequently enjoy these Chinese-style pastries during their afternoon tea breaks.



#### (4) Overview of the Indonesian baking industry

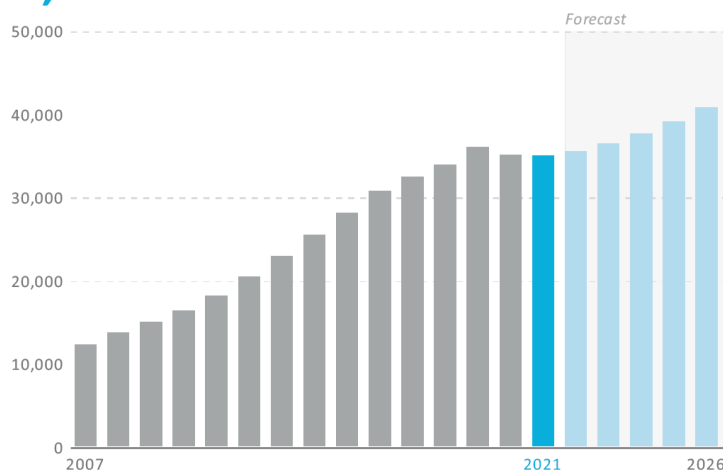
In 2021, the Indonesian baking industry reached a production value of \$69.8 billion, outperforming Taiwan's baking industry, which had a production value of \$65 billion. Despite a marginal decline of 0.1% in 2021, Indonesia's production value remains robust. Carrefour Indonesia, the top performer in baking product sales, contributes 9% to the total production value and holds the largest market share in Indonesia.

#### Market Sizes

##### Sales of Baked Goods

Retail Value RSP - IDR billion - Current - 2007-2026

**34,939**



In the midst of the COVID-19 pandemic in 2021, the demand for leavened bread has consistently risen, establishing it as a preferred choice for breakfast, lunch, and snack times among consumers. At the time, the Indonesian government implemented large-scale social restrictions (LSSR), leading small and medium-sized businesses to focus on selling European-style bread through various social media platforms. As a result, PT. Lotte Indonesia's chocolate pies experienced significant growth in 2021. Compared to the snacks offered by its competitors, PT. Lotte Indonesia's chocolate pies primarily targeted children studying at home and families.

As a result of the increased time spent at home by consumers during the COVID-19 pandemic, there has been a surge in interest in DIY baking, which has emerged as a popular pastime for many. This trend has led to a consistent growth in the demand for pre-mixed baking powders that simplify the dessert preparation process while still yielding delicious outcomes. In response to this market demand, several new products have been launched, including Mamasuka's newest dessert mix, Chocolate Pudding, and PT Forisa Musersada's Mom's Recipe Silky Pudding, which has expanded its flavor offerings to include peach and avocado. Meanwhile, small to medium-sized businesses have leveraged mixed-flavored desserts as the foundation for their pudding offerings. These companies promote and distribute their products via social media channels such as Instagram, in addition to e-commerce platforms like Shopee and Tokopedia.

Post-2022, it is anticipated that Indonesian consumers will increasingly frequent brick-and-mortar stores for the purchase of baked goods. This trend is driven by the relatively short shelf life of items like bread, cakes, and pies. Concurrently, there is a growing demand for food products with extended shelf life, such as dessert premix powders. These products, readily available online, provide a wider range of options to consumers. Furthermore, while in the current market food delivery services have gained significant popularity, it has been observed that in Indonesia, consumers predominantly utilize these services for meal purchases as opposed to bakery items.

Convenience stores are projected to maintain strong performance in the upcoming period. Top firms are set to broaden their product offerings and enhance competitive pricing strategies. The growth of convenience stores into secondary and tertiary cities will further aid in the evolution of distribution channels. These stores generally tailor their inventory to meet the demands of local consumers.

The Indonesian economy is on a prolonged road to recovery due to the effects of COVID-19. Consumers are showing heightened price sensitivity and are being more careful with their daily expenditures. Consequently, it is anticipated that regional private label brands will see a higher growth potential in the near term relative to national brands, due to their generally lower price points. Since the onset of the COVID-19

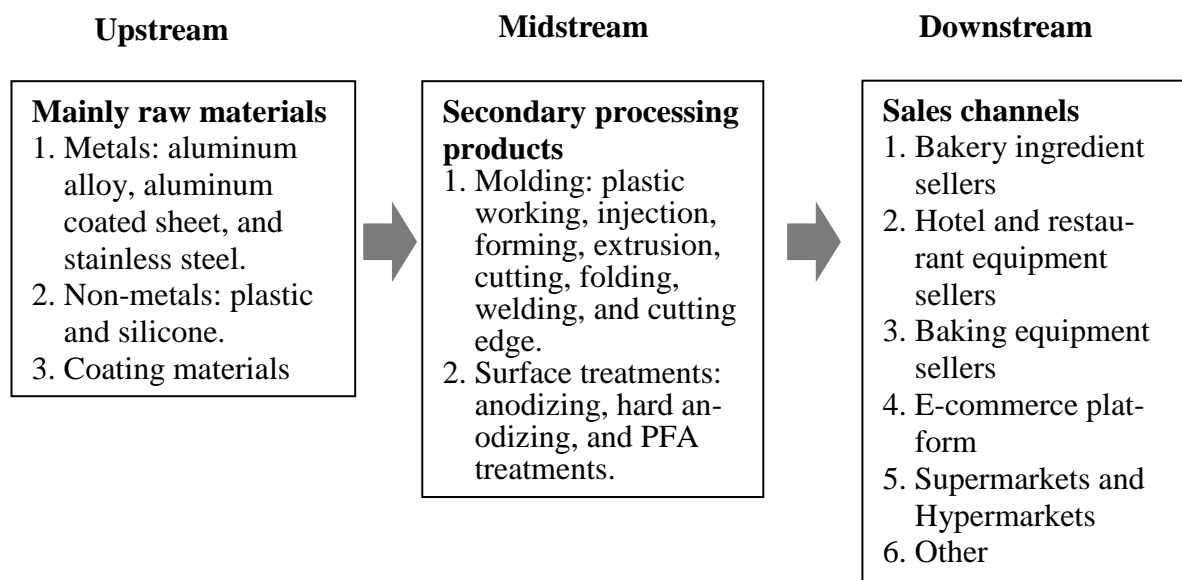


pandemic, it is projected that the demand for European-style bread, cakes, and pastries will experience a sustained surge through 2026. However, these products are expected to encounter significant competition from comparable offerings. Relative to large-scale brand manufacturers, small and medium-sized businesses tend to leverage digital marketing strategies more extensively, especially in the realm of social media advertising. Furthermore, small to medium-sized businesses are generally more adaptable to shifts in consumer tastes, continually innovating with new product offerings like Korean garlic bread and Japanese milk bread.

The pre-mixed dessert powder market is expected to grow within the forecast period, driven by the leading brand Swallow Globe (PT. Dunia Bintang Walet), which developed an algae-derived jelly with various health benefits, including weight loss, as well as being a good source of fiber, manganese, and calcium. The product also has a high fiber content, which is believed to contribute to maintaining gut health. COVID-19 has heightened health awareness among Indonesians, stimulating demand for products with strong health claims.

## 2. Connections among the industry upstream, midstream and downstream

The Company’s main products are sold through logistics channels stocking shelves, e-commerce, and industrial customized products, along with other sales efforts. The connections among the Company’s upstream, midstream, and downstream industry sectors are as follows:



## 3. Various product development trends

Since the “Glasgow Climate Emergency Pact” was concluded in COP26 2021, various governments and enterprises have successively proposed their plans for coal reduction, carbon reduction and zero-carbon emission, hoping to mitigate the global warming speed. Since the Company was founded, it has kept improving itself in the field of baking

appliances. Meanwhile, the Company still continues to research and develop energy-conservation and carbon-reduction products, hoping to mitigate the negative impact posed by it to the environment. Consequently, the Company launched the low-sugar loaf pan in 2019, where a mold design is used to reduce the baking time by 20-25% compared with traditional molds. Energy consumption was also reduced, and the cumulative sales volume of the product exceeded one million. In 2021, the one-piece cast aluminum low-sugar loaf pan was developed to mitigate the risk of hidden dirt and grime associated with the traditional design in the past. The cumulative sales volume generated by the joint promotional campaign with Namchow exceeded 240,000 units. In light of carbon reduction initiatives, in 2024 we successfully reduced our one-piece molded aluminum Loaf pan by 25% in weight reduction, aiming to lessen both weight and carbon emissions. The Company also promoted the “the non-stick re-processing business” that may have old baking appliance used by a customer go through an environment-friendly non-stick coating removal process, and then the non-stick re-processing carried out as needed by the customer, to ensure the same non-stick effect as that of a new product. By 2023, customers had collectively saved approximately NT\$24 million in procurement costs. The Company has launched plastic-reducing products since 2022, e.g. addition of sawdust powders, oyster shell powders, coffee grounds and other recycled materials into to plastic products to reduce the use of plastic materials by 30% to 50%, which can significantly reduce the consumption of plastic materials. This series of products was exhibited at the Taipei International Bakery Show in March 2022, which has received a great response from visitors and will be commercialized in the future. In 2023, the sales volume of reduced plastic products reached 37,000 units, resulting in the avoidance of 1.27 tons of plastic particles compared to the 3.8 tons typically required for production. In addition, with the government promoting circular economy, environmental protection is poised to become a long term trend. Therefore, the service of refinishing non-stick coating is devised to enhance added value for customers.

In 2019, the so-called "Japanese raw toast" created a sensation, attracting raw material suppliers to launch products related to the toast and boosting sales of flour. After seeing Japanese bakeries expanding their business in Taiwan, local downstream business followed the trend to open toast bakeries and provide toast and sandwich products in small portion weighing 200-250 grams to the young female consumer population. The products in small portion caused sales of toast molds to increase considerably. Healthy breads that are low in sugar and high in fiber are constantly welcomed by the young consumer population. Online statistics show that 75% of customers buying bread and cake are female, of which 57% are aged 25-35. Currently, the cumulative sales volume has exceeded 80,000 pieces and the various shaped toast molds have also continued to generate sales.

A steady increase in the numbers of convenience stores and influence brought by the

COVID-19 outbreak have led to greater production of central kitchens and have expedited development of new facilities and sales locations aiming to further promote the production. Recently, bakery and pastry associations and businesses have been advocating the revitalization of Chinese pastries by incorporating elements of modernization, western styles and creativity. Taiwanese and Chinese businesses have accordingly launched baking trays and molds that feature sturdiness and non-stick surface to solve the difficulty in removing the baked goods from the molds. The Company continuously promotes sturdy trays and satisfies the market demand of developing new baked products with their non-stick surface and sturdiness.

Meanwhile, due to the impact posed by the raging COVID-19, people are valuing the health and safety more than ever. The sales of related products, such as baking molds and equipment, will be boosted therefor. Bakeries also value the safety protection of the products in store. Therefore, it is expected that more bread and other products in the bakery will be packed in bags to avoid infection of bacteria and virus. In response to the demand, the Company also actively develops the antibacterial appliances for molds and equipment, and bakery products in protective packaging, e.g. sprayer holding alcohol, antibacterial spatula and plastic clip, to meet consumers' needs.

The company initiated diagnostic services in 2023, deploying our technical and R&D personnel to conduct on-site assessments of customer production lines. Leveraging the Company's expertise, we integrate new processes, technologies, and coatings to reduce our customers' production costs or mitigate unseen waste expenses. For instance, by aiding customers in modifying their baking tray designs, we have streamlined the production line, reducing the personnel required from 5 to 3. This optimization results in approximately NT\$ 1.5 million in annual labor cost savings, fostering stronger ties between our customers and the Company.

In recent years, Western countries and Japan have experienced a surge in the demand for frozen bakery products. This growth can be attributed to factors such as rising labor costs, dwindling labor forces, escalating rents, and the advancement of technologies for frozen dough, semi-finished, and finished products. The technology behind frozen dough originated in the West, with more mature applications in these regions during the 1950s. Presently, relatively advanced economies like China, Taiwan, and Singapore have also gradually embraced frozen prefabricated products and pre-mixed powders to tackle challenges such as high labor costs, labor shortages, and rental expenses. Consequently, Sanneng has proactively engaged in partnerships with frozen dough factories since 2022, foreseeing increased production capacity in the future.

#### 4.Competitive status

The Company's production does not require a very high entry level, but with our more than 40 years accumulated expertise and experience along with our consistent demand for high quality, we have maintained a very strong reputation and demand for our brand in the baking industry. Demand for baking utensils has risen along with China's rapid development of its baking industry. Many firms have invested in the provision of baking utensil products, affording consumers a variety of choices in the marketplace. Numerous domestic baking utensil brands have been launched with strong price advantages, leading to their market pre-eminence through fierce price competition.

### (III) Technology and R&D Overview

#### 1. Research and development in 2023 (Consolidated Statements)

Unit: NT\$ thousands

Year	FY 2023
Item	
Research and development expenses	85,148
Net Revenue	1,905,839
Research and development expenses/ Net Revenue Ratio(%)	4.47%

Information sources: Consolidated Financial Reports duly approved by the Auditor CPAs.

#### 2. Successfully developed technologies or products

Year	Major research and development results
2023	<ul style="list-style-type: none"> <li>● Condensation Whisk Bowl Long-lasting cold preservation, easy to whip the cream, and good molding effect.</li> <li>● Unibody Whisk Metal and plastic are directly injection molded and can be directly boiled and sterilized without water seepage.</li> <li>● Splicing Laser Welding Reduce mold cost and increase market competitiveness.</li> <li>● Fiber-planted plastic products Wood fiber is recycled and reused in a circular economy, reducing the use of plastics by 30%-50%.</li> <li>● Dedicated Lid for Sierra Bowl Butterfly-shaped perforated design increases the convenience of lid extraction.</li> <li>● Color Management Tool Development Crafting tools for customer color management to ensure safer usage.</li> <li>● Dragon Zodiac Image Baking Mold Creating toast-shaping products matching the corresponding zodiac of the year for a lively visual presentation.</li> <li>● Z-Type Folding Aluminum Trolley Stackable and space-saving trolleys for efficient storage, addressing limited space concerns and maximizing factory spatial utilization.</li> <li>● Circular Roll Forming Machine with Frame Tailored machine development to boost production efficiency.</li> <li>● Ceramic Coating Applications</li> </ul>

Year	Major research and development results
	<p>Develop non-fluorine coatings to diversify product lines and meet evolving demands.</p> <ul style="list-style-type: none"> <li>● Development of Industrial standard product In response to the demands of the industrial market, standardizing product specifications can increase sales volume within the industrial market.</li> </ul>
2024	<ul style="list-style-type: none"> <li>● Stamping automation applications Improve existing production efficiency and save labor.</li> <li>● Baking pan bending machine applications Improve existing production efficiency.</li> <li>● Hamburg automatic line receiving robot applications Improve existing production efficiency and save labor.</li> <li>● Instrument reprocessing process Product reuse to comply with ESG concepts.</li> </ul>

(IV) Long and short term operational development plans

1. short term operational development plan

(1) Design, research and development

- A. Product designers are arranged to learn at the factory to understand the art of production in practice. This helps to enhance their R&D and design competences and to reduce design flaws.
- B. Implement detailed division of labor in the product designers, and the designers directly communicate with customers' sales reps to stay on top of design progress, thereby enhancing work efficiency and the volume of customized orders. Work with renowned bakers on product endorsement and adopt suggestion made by chef users in product improvement and development so as to ensure the trend-setting position of the new products.
- C. Established collaborative initiatives with partner universities and research institutions to promote industry-academia cooperation.
- D. Recruit and train industrial design talents, to design trend-leading products with equal emphasis on appearance and practicability.
- E. Research and develop new materials and new processes, so that carbon emissions from the products can be reduced gradually in the production process.
- F. Develop plastic-reducing products to reduce carbon emissions of our products.
- G. Develop heat resistant plastic applications.
- H. Develop heat resistant plastic applications.

(2) Marketing operations

- A. Enhance the capability to propose to centralized bakeries, partner with ingredient suppliers to propose products and services. Pair with mold sales to provide a diversified product portfolio, including sales, mold design, cleaning supplies, reprocessing services,

technician team services. At the same time, through diagnostic services, observe the production process of customer factories to give product and production process improvement recommendations to reduce costs and increase efficiency, thereby enhancing customer trust.

- B. Increase the market share of online sales, enhance brand competitiveness through online course sales, ingredient pairing sales, co-branded product sales, livestreaming sales, and optimizing platform content. Assist ecommerce distributors to develop customized and exclusive products to increase profit margins through product differentiation and customer group differentiation. Collaborate with top online oven brands to attract shared fan traffic and increase product sales.
- C. Increase the market share of online sales, enhance brand competitiveness through online course sales, ingredient pairing sales, co-branded product sales, livestreaming sales, and optimizing platform content. Assist ecommerce distributors to develop customized and exclusive products to increase profit margins through product differentiation and customer group differentiation. Collaborate with top online oven brands to attract shared fan traffic and increase product sales.
- D. Energy-saving products continue to be promoted and developed to assist downstream operators to reduce baking costs and increase production, thus reducing energy consumption that is also conducive to environmental protection.
- E. As ESG issues continue to garner widespread attention, Sanneng has launched a series of WPC products, using plastic combined with recycled wood chip powder, oyster shell powder and coffee grounds to replace 30% to 50% of plastic usage, enhancing consumer awareness and recognition of the brand.
- F. Form industrial alliances and cross-industry alliances, increase added value of the brand and add sales channels through co-branding activities and live streaming.
- G. Work with professional institutions to enhance educational training in product knowledge, materials, coatings and food safety to advance professional knowledge of students, instructors and distributors while conveying the business philosophy of the Company of offering healthy and safe cooking utensils.
- H. Develop greater presence in the Southeast Asian markets and prepare the entry into European and American markets. Southeast Asia represents a major market for the Company exports. Local marketing managers and export sales representatives are required to pay visits to each region for one to two weeks every month to get a better understanding of the local culture, to assist local representatives in promoting the Company's brand and to enhance central kitchen customer relations. Brand promotion in European and American markets will be achieved by sponsoring schools baking utensils, participating in exhibitions and having consultants to promote the brand.

- I. Raise brand awareness through international bakery associations and allow bakery students and chefs to approve the Company's brand through sponsoring bakery competitions, developing equipment for contestants and holding the Sanneng Cup bakery competition.
- J. Carrying out the corporate purpose of "improving the level of bakery technology in Asia and jointly creating a bakery ecosystem", Sanneng has established a bakery ecosystem platform to provide Taiwanese masters to open offline training courses in the Southeast Asian market. By promoting the company's product features through these masters, we can enhance their personal brand awareness while also improving the baking technology level in Southeast Asia. In the future, we will be connecting these masters to large-scale central factories and chain stores in Southeast Asia to develop new products and transfer baking technology. This will also drive mold sales and related equipment and raw material vendors to promote their sales.

### (3)Manufacturing and production

- A. Improve the use efficiency of the existing automated production equipment, continue to improve quality and increase efficiency, reduce labor costs and at the same time solve the difficulty to directly recruit labor on site.
- B. Continue to plan the introduction of automation equipment, optimize the existing automation equipment and gradually introduce smart manufacture.
- C. Start to gain knowledge of what smart manufacturing needs and consider purchasing new equipment.
- D. Research of various technological fields and their applications in bakeware.
- E. Analyze subsidiaries' respective production and marketing advantages, effectively using cross-Strait production resources and efficaciously deploying delegation of work.

### (4)Finances

- A. Use the capital effectively and decrease the cost of capital by integrating the financing plan and dispatching all the subsidiaries' funds.
- B. Monitor exchange rate risks to avoid exchange loss.
- C. Use short-term idle funds with risk management measures.
- D. Enhance inventory management and receivable management to improve short-term working capital turnover rate.

### (5)Long-term operational development plan

- A. Develop high value added products, and broaden the Sanneng Premium product series to raise brand awareness for professional bakers, executive chefs, and high end consumers. Research and develop new products from the user-centered perspective and use the new Sanneng Premium brand as an entry point into the kitchen utensils

market in the future.

- B. In 2024, the establishment of the third manufacturing base in Indonesia was completed and production commenced, aiming to supply the emerging markets in Southeast Asia and reduce dependence on operations in the Chinese market.
- C. Adopt strategic alliances and corporate mergers and acquisitions to integrate resources from the upstream and downstream of domestic and foreign baking utensil industry, and establish renowned international brand names.
- D. Work with the industry, government, academia and research institutions to research and develop coatings that are environmentally friendly and in compliance with food safety regulations.
- E. Carrying out the corporate purpose of "improving the level of bakery technology in Asia and jointly creating a bakery ecosystem", Sanneng has established a bakery ecosystem platform to provide Taiwanese masters to open offline training courses in the Southeast Asian market. By promoting the company's product features through these masters, we can enhance their personal brand awareness while also improving the baking technology level in Southeast Asia. In the future, we will be connecting these masters to large-scale central factories and chain stores in Southeast Asia to develop new products and transfer baking technology. This will also drive mold sales and related equipment and raw material vendors to promote their sales.
- F. Launching the SANNENG OUTDOOR brand to target the outdoor goods market, leveraging the Company's over 40 years of metal manufacturing and surface treatment expertise. We aim to offer camping essentials such as cookware, drinkware, tables, chairs, and lighting fixtures. Our brand philosophy, "Home is Where the Heart is," underscores our commitment to innovation and creating a sense of home wherever one ventures.
- G. In response to the pricing requirements of middle to low-end industrial clients in China, we are adopting the SNI (SANNENG INDUSTRY) brand to enter the market with products tailored to the pricing and quality levels suitable for this customer segment, thereby increasing sales revenue.
- H. In order to enhance market development in the catering sector, a new catering project department was established in 2024 to gain a deeper understanding of the overall catering landscape. Through the development of corresponding products within the steam oven series, efforts were made to actively explore the product development needs of the coffee market as well.
- I. Launch the SANNENG HOME series brand, focusing not only on continuous development in the baking household market but also on the development of kitchenware, storage, cleaning products, and other related items. They continuously



optimize products required in the household market.

## II. Overview of Marketing and Production/Distribution

### (I) Market Analysis

#### 1. Main products (services) marketing (provision) areas

Unit: NT\$ thousands

Area \ Year	2022		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Taiwan	361,015	19.39	304,941	16.00
China	1,221,481	65.60	1,315,282	69.01
Other Asia	237,834	12.77	246,141	12.92
Europe, America and Others	41,632	2.24	39,475	2.07
Total	1,861,962	100.00	1,905,839	100.00

#### 2. Market Share

The Company is a baking utensil manufacturer which primarily produces baking utensils such as baking pans and baking molds, for distribution mainly across China and Taiwan, and at present the Company enjoys a strong market presence in the China and Taiwan baking utensil markets. However, at present there are no research institutions which have produced market report forecasts for the baking utensils market, so it is impossible to elucidate the entire baking utensil industry's integrated market production value, and thus to determine the Company's actual market share.

#### 3. Future market demand and supply status and growth characteristics

The Company primarily supplies the China and Taiwan baking utensil markets, and there is an ever increasing trend for organic and naturally healthy foods and beverages. More consumers are eating baked goods with less sugar, less fat, and fewer additives. Additionally, bread stands as a favorable option amid consumer demand for convenient foods and beverages. We can thus expect continued growth in the baked goods market. Though the world economy continues to be sluggish from the ongoing pandemic, but the market research agency Global Specialty Bakery Market remains optimistic of the global market forecast of the baking industry, and estimates that it will increase by US\$10.54 billion between 2020 to 2024, as well as experience a compound annual growth rate (CAGR) of 4% during this period. In terms of the Asia Pacific region, China's baking market holds the greatest potential as China's rapid urbanization is creating a large middle class with highly diversified food demand that is spurring bakery related industry growth. The Taiwan region's bakery market is already near saturation, with recent years witnessing a growing DIY baking trend, and diverse sales locales and modalities for breads and cakes

which will further stimulate growth in demand for baking utensils and baking products. According to reports from market research institution, due to effective epidemic prevention in China, the scale of the Chinese baking market grew to RMB 285.3 billion in 2022. Its published data indicates that the Chinese baking industry will experience a CAGR of approximately 7.81% from 2021 to 2025, indicating that the baking industry is still in a phase of stable high growth in China. This is highly beneficial to our operations.

#### 4. Competitive niche

##### (1) Well-established brand reputation

The Company's Sanneng Taiwan subsidiary has been established for over forty years, while Sanneng Wuxi has been in existence for twenty years. With long term efforts and initiatives, the twin brands of SANNENG and unopan have gained well-earned reputations in the commercial baking and home baking utensil markets, which will help to foster further market penetration as a key competitive strength.

##### (2) Our Board of Directors' and Shareholders' team have rich industry experience

The Company has three independent Directors representing the finance and accounting field, the baking industry, and the manufacturing field. Our Board of Directors' and shareholders' team boast rich experience in the upstream baking industry and the downstream baking equipment and baking ingredients industries. This ensures their ability to make adept and adroit quality business decisions for the Company's operations.

##### (3) Customized services

The Company has accumulated years of experience in production and marketing, and has our own Research & Development Center staffed with highly-educated personnel, who are able to meet customer's unique needs, develop and design new products, and produce customized goods, with rapid prototyping and mold production for high quality products.

##### (4) Our one-stop shopping service

The Company affords a complete range of commercial baking utensils, household baking utensils, and more than 2,000 products, ensuring varied offerings for our customers, and meeting their demands for one-stop shopping services.

##### (5) Comprehensive marketers system

The Company's operating model relies on a marketing system of sales including our solid teams in Taiwan, Wuxi, Japan and Indonesia, where we deploy evaluations, training, guidance, and selection advice for marketing management operations, allowing

us to service end-user customers through local marketers, ensuring stable growth and achieving mutual benefits for the Company, our marketers, and consumers.

(6) Innovative, pioneering products

The Company develops approximately 80 to 100 new products in each year, including the various shaped toast molds and low sugar toast molds developed in 2020, which were highly popular among channel operators and were purchased in large quantities to lead market trends. Concurrently, the competitive niche of reducing baking time by 15% to 30% using the low sugar toast containers have also encouraged an increasing number of customers to adopt energy-saving products with enhanced baking efficiency.

(7) Providing the most complete solutions

By integrating industry-leading enterprises with the resources of large corporations, and by researching and developing new products and operating procedures, we are capable of providing one-stop solutions to our customers.

(8) Launching automated manufacturing

The Company has been engaged in launching automated manufacturing in recent years, with implementation of automated surface treatment and plastic injection molding to reduce manual and manpower requirements, resolving the difficulties in retaining qualified personnel, enhancing product quality and reducing manpower overhead. With the introduction of automated surface treatment equipment, an integrated production line has been formed which covers processes from forming to surface treatment and fosters the ability to meet delivery schedules and to control product quality, boosting the Company's competitiveness considerably.

(9) Fulfilling our corporate social responsibilities

As the international community expands its concern and trends towards fulfilling corporate social responsibility, the Company has set up a designated unit at the beginning of 2021, and determined that corporate social responsibility will be one of our critical operational emphases. In terms of environmental protection, we deploy the highest standards whether in terms of wastewater, sludge, or air pollution treatment. As for our public interest efforts, the Company has held joint events with the Metals Industry Research and Development Centre (MIRDC) and with HACCP for food safety symposiums promoting food safety concepts.

Sanneng Wuxi, a subsidiary of the company, has obtained ISO14001 environmental management system certification on 07/02/2019 to effectively prevent and control environmental pollution and improve the utilization rate of energy and resources.

The Company, fulfilling its corporate social responsibility, has launched green products, including energy-saving die-casting loaf pan for low-sugar bread, environmental-friendly cleaning products, baking molds non-stick surface refinishing products, etc.

## 5. Advantageous and disadvantageous factors and responsive measures for our development prospects

### (1) Advantageous factors

#### A. The average bread consumption in China is 7.3kg/year

As the Chinese economy expands, the average income of its citizens continues to increase. The fast-paced, high-pressure work environment often leads younger consumers to choose sandwiches and bread for breakfast due to their convenience and speed of purchase. Families with children also commonly purchase bread in the evening to serve as the next day's breakfast. Compared to the average bread consumption of 24.8kg/year in Japan and 8.7kg/year in Hong Kong, per capita bread consumption in mainland China is projected to rise further, fueling the overall growth of the bakery market. Chinese-style pastries have become increasingly popular in recent years, attracting young consumers with their modern image and adoption of Western-style approaches such as low oil and low sugar. Office workers frequently enjoy these Chinese-style pastries during their afternoon tea breaks.

#### B. Rise of specialty/upmarket stores

In recent years, both Taiwan and China have witnessed a rise in boutique or upmarket stores. According to data from Meituan, China has more than three hundred thousand standalone or mid to small-sized chain stores. Although these upscale stores may not have large-scale operations, they wield significant influence within their industries. Moreover, influencer promotions through social media platforms such as Xiaohongshu, Douyin, Instagram, etc., can quickly promote new products across the entire network, driving rapid replication of the overall baking market. Simultaneously, they also drive large chain stores to launch new products and procure Sanneng's mould products. The industry has embraced the promotion of bread culture festivals. Last year, such festivals took place in major cities like Taipei, Shanghai, Guangzhou, Beijing, and Chengdu, featuring the participation of 50 to 80 local influencers or specialty stores. These events not only educate consumers about bread culture but also enable these stores to broaden their customer base.

#### C. Emergence of second-generation owners in large-scale chain brands

While many chain bakery systems experienced rapid market expansion during their growth phase, concerns have arisen regarding brand upgrades, product alignment with young consumers' preferences, and the optimization of supply chains to reduce

costs and enhance efficiency. Presently, only a handful of entrepreneurial founders can adapt swiftly to these dynamic market shifts, while others face market contraction due to their inability to keep pace. However, with the ascent of the second generation taking over the helm, there is a proliferation of fresh ideas and an ability to adjust products and company operations in response to market dynamics. Sanneng facilitates outreach events for the second generation in collaboration with the China Grain Products Research & Development Institute (CGPRDI) and conducts networking events with the China Association of Bakery & Confectionary Industry in mainland China. These initiatives foster interactions among young second-generation individuals, facilitating the transmission of our company's brand philosophy, vision, and values and enhances recognition among the second generation and bolsters our brand's competitiveness.

#### D. Elevating the level of baking technology in Asia to co-create a baking ecosystem

In the Post-COVID era, baking exchanges and learning in the Asian market have gradually resumed. Taiwanese master bakers lead groups to developed economies such as Japan and South Korea to learn about new baking products and techniques, aiming to enhance baking skills. At the same time, Taiwanese master bakers also hold classes in Southeast Asian markets to teach more Southeast Asian bakeries or upmarket stores about new Taiwanese baking products. Thanks to the Company's strong brand loyalty among the majority of master bakers, they are enthusiastic about endorsing Sanneng's various products abroad. We advocate for the teaching-to-sales model in Southeast Asian markets to further expand our reach. Moreover, an increasing number of baking industries in mainland China are venturing into Southeast Asia, which is expected to accelerate the growth of the baking market in the region.

#### (2) Disadvantageous factors

##### A. Changes in the prices for raw material metal products

The Company's main products use raw materials primarily consisting of aluminum alloy plates, aluminum-plated plates and stainless steel. The price is heavily influenced by the trends for global raw materials. However, aluminum is highly suitable for baking trays and baking molds due to its fast and even heat conduction, and its lightweight features. Currently, there is no material that can completely replace aluminum. Thus, changes in aluminum prices strongly impact the production overhead costs for baking trays and baking molds.

##### **Responsive measures**

The Company and its upstream providers have maintained close long-term cooperative relations, and we check on the latest prices monthly for our raw material

aluminum alloy plates and aluminized plates. Along with our strict internal controls for raw materials prices, we also monitor international prices and our production and sales levels to ensure stringent management of raw material inventories. This includes timely adjustments to ensure safe supply levels, while reducing the risk from lower raw material prices. Also, we continuously endeavor to streamline and optimize our materials and manufacturing process design, as the Company strives to adjust our use of materials and reduce procedures to achieve corresponding reduction in materials and decreased production overhead. Moreover, we follow the long term price trends for raw materials and demand for our products, to ensure timely adjustments to product line pricing, thereby reducing any overhead effects from price changes in raw materials.

#### B. Employee wage overhead increases and labor shortages

In 2008, China began implementing its Labor Contract Law, providing for employees to enjoy clearly defined rights to paid vacations, overtime, severance pay, and social insurance contributions, which have led to large and rapid increases in labor overhead and corporate management overhead costs in China. Since 2011, Chinese provincial authorities have been raising minimum wage levels each year, causing enterprises to face continually higher wage burdens. China's "One-Child Policy" implemented in the 1980s led to a decline in population growth rates. Although the policy has been relaxed for many years, population growth has slowed down, and negative growth has even occurred for the first time in 2023, not seen since the Great Famine of the 1960s. With increasing job opportunities in the Chinese interior provinces, the outflow of laborers is gradually decreasing. At present, China has many regions where wages are already much higher than in Southeast Asian nations, and the labor shortage has exacerbated wage increase pressures, with low wage labor now becoming a thing of the past, and wage increases and labor shortages emerging as long-term trends in the Chinese labor market.

#### **Responsive measures**

To reduce the impacts of wage increases on operating overhead, the Company has been continuously evaluating integration of automated manufacturing equipment and machinery, with an expanded percentage of automatic production and reducing the dependence on manpower in response to the trends in the Chinese labor market for higher wages and difficulties in finding labor. Moreover, to actively develop the Southeast Asian market and mitigate the adverse impact of high manufacturing costs in China, the Company established Sanneng Indonesia Industry in Solo City, Java Province, Indonesia, in early 2024. This marks the establishment of our group's third production base, with plans for official production in the fourth quarter. This move aims to develop Southeast Asian countries with lower labor costs.

### C. Fierce competition in the baking utensil industry

Demand for baking utensils has risen along with the rapid development of baking market in China and Southeast Asia. Many firms have invested in the provision of baking utensil products, affording consumers a variety of choices in the marketplace. Numerous domestic baking utensil brands have been launched with low price strategy, leading to their market pre-eminence through fierce price competition.

#### **Responsive measures**

The Company will continue to invest in baking utensil and manufacturing technology research and development, including existing efforts aimed at improving product structural design, materials, and manufacturing. Further research is planned for metal baking mold surface processing through environmentally friendly production, as well as new materials and advanced technologies for non-stick coating. These efforts will ensure our competitive strengths as a technology leader. In the same time, the Company launching new products to meet the consumer demand and applying for patents to pursue greater differentiation in products from the competitors are the efforts made to lessen the impact of fierce competition in the industry. Moreover, the Company will continue to deploy automated manufacturing equipment, increase our percentage of automatic production, and reduce manpower overhead, while increasing production efficiency and ensuring stable product quality, to advance the market competitiveness of the Company's products.

### D. Food Safety issues

In recent years food safety issues have become quite serious in Taiwan Strait. We have seen cases including the maleic acid toxic food starch production incident, the fraudulent sales of TOP POT BAKERY breads adulterated with artificial flavors, and fake milk powder. Beyond this, there have also been discoveries in the market of products with excessive manganese in Taiwan Railways bento meal containers and elementary school stainless steel lunch boxes, as well as excess aluminum dissolution from aluminum pots and other food safety non-compliance concerns. This has led to serious qualms among consumers about the use of metal food utensils in general. In response, the government has been amending food utensil inspection regulations, including Taiwan's adoption of the Act Governing Food Safety and Sanitation, the "sanitation standard for food utensils containers and packages," and the "food utensil, food equipment or packaging related regulations." In China, we have seen national food safety standard general security requirements of food contact materials and articles, as well as the national food safety standard for metal materials and products for food contact, and the national food safety standard for coating and films for food contact.

## **Responsive measures**

The Company is strict when it comes to product quality. Aside from our stringent regulations governing procurement, research and development, and production units, we also abide by all the Taiwan and China food utensil safety regulations for internal inspection standards. Furthermore, we ensure quality testing for the relevant equipment, raw materials, semi-finished goods, finished goods, and gift items produced by other manufacturers.

The Company's quality inspection and control processes are managed by the Quality Control Department, and in recent years we have established a Technology R&D Center to serve as the Command Center for all subsidiaries' quality control and management. For procurement of raw materials, besides requiring suppliers to provide quality reports, we also demand compliance with internal inspection standards for metal raw materials, and the use of metal analytical instrumentation and material mechanical performance testing machinery for quality tests to ensure there are no doubts or concerns with the quality of any materials. As for our production, we conform to manufacturing process regulations, and periodically undertake random inspections to ensure no aberrations in the manufacturing process. For our finished goods and items we purchase from other manufacturers. Besides our own internal inspection standards for random testing, we also periodically send products for testing to an independent, third-party laboratory or externally accredited institution for testing, to reduce any risks affecting safe consumer usage of our products.

Furthermore, under our ESG project, the Company obtained ISO 50001 Energy Management System certification in 2022 and conducted a carbon emissions inventory in 2023, obtaining an ISO 14064-1 verification statement. Through process optimization and management techniques, we aim to save energy usage in electricity, steam, gas, water, etc., to achieve energy conservation and carbon reduction objectives. Moreover, the Company has implemented several sustainability initiatives. We've established a wastewater treatment plant to recycle and purify wastewater for reuse. Additionally, solar panels have been installed to decrease our reliance on external power sources. We've also introduced low-sugar toast moulds to reduce customer energy consumption. Furthermore, we've developed plant-based plastics by repurposing waste materials such as sawdust, oyster shell powder, and coffee grounds, reducing plastic usage by 30% to 40%. These efforts not only enhance customer loyalty to the Sanneng brand but also contribute to carbon emission reduction, aligning with our commitment to environmental responsibility. In addition to sustainability efforts, we aim to assist



customers in reducing production costs and labor expenses through diagnostic services and the introduction of innovative processes, technologies, and surface treatments. By offering technical support, we foster customer loyalty and mitigate the risk of price competition that could erode profit margins. Collaborating closely with raw material suppliers and equipment manufacturers, we propose joint solutions to enable the mass production of new products, thereby reducing customer proposal costs. Upon approval of these proposed products, customers are inclined to purchase raw materials, equipment, and moulds, driving further business growth.

- E. As international economic growth stagnates and conflicts inflate raw material prices, consumers are adopting more discerning consumption habits.

Traditional large-scale promotional events in mainland China, like International Women's Day on March 8th, 618 Shopping Festival, Double 11, and Double 12, have witnessed declining consumer spending due to the emergence of platforms like Pinduoduo, which prioritize high-value products. This intensified competition among platforms such as Tmall and JD.com has extended promotional campaign periods and escalated advertising expenses for brands, resulting in diminished profits or even losses. The landscape of online sales has also shifted from search-based e-commerce to interest-based e-commerce, rapidly driving consumption among Douyin users. Previously, consumers would search for the products they needed and compare prices from different sources before making a purchase. However, this behavior has evolved, and now consumers are influenced by product introductions on Douyin, sparking their interest and leading to purchases.

### **Responsive measures**

To diversify revenue streams, Sanneng has expanded into kitchenware and dining utensils, complementing our core baking products. Leveraging the popularity of live streaming, we actively promote on Douyin. Furthermore, apart from our past practice of engaging in livestreaming promotions by KOLs, we've initiated partnerships with micro-influencers boasting 10,000 to 100,000 followers and cultivated Key Opinion Consumers (KOC) on Xiaohongshu to bolster brand recognition and unveil new products. These strategic maneuvers enable us to swiftly reach the over 300,000 upmarket and specialty stores in China and attract new entrants into the baking industry, positioning our products as their preferred choice. Furthermore, through partnerships with education and consulting firms, we collaborate with baking masters and instructors to use Sanneng's products for teaching purposes. This facilitates awareness of the Sanneng brand among aspiring entrepreneurs, encouraging them to purchase our products.

(II)Major applications and production process for primary products

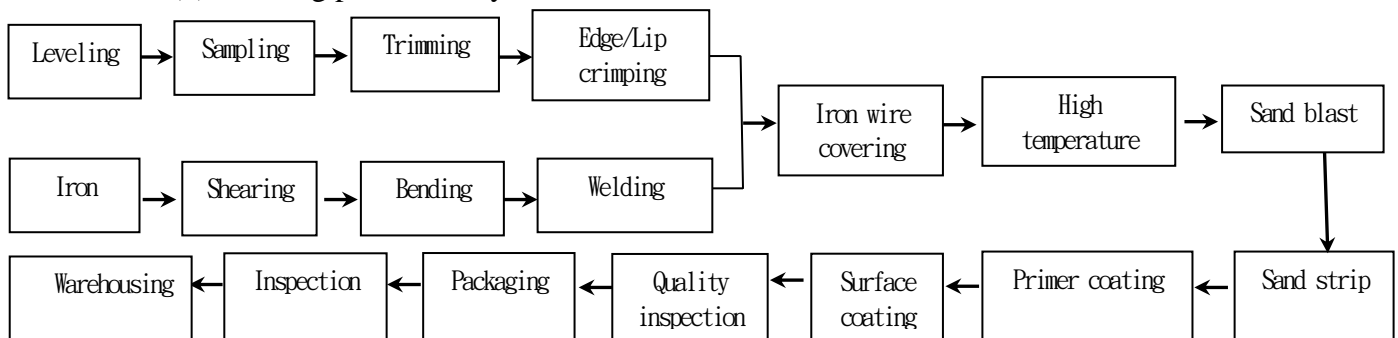
1.Key applications of the primary products

Main Products	Products (services) applications
Baking pans and trays	Used in ovens for baking foods, and convenient for placing foods into ovens for baking, and for removal of baked goods from the oven after baking.
Toast trays	Used for baking bread slices into toast, with bread slices placed into the toast tray, then baking as the bread slices expand, stretching and bending to conform to the desired toast shape of the tray.
Cake molds	Used to hold cake batter to bake into a cake, by placing the cake batter into the cake mold and baking until the cake forms in the desired shape as the batter expands and shapes.

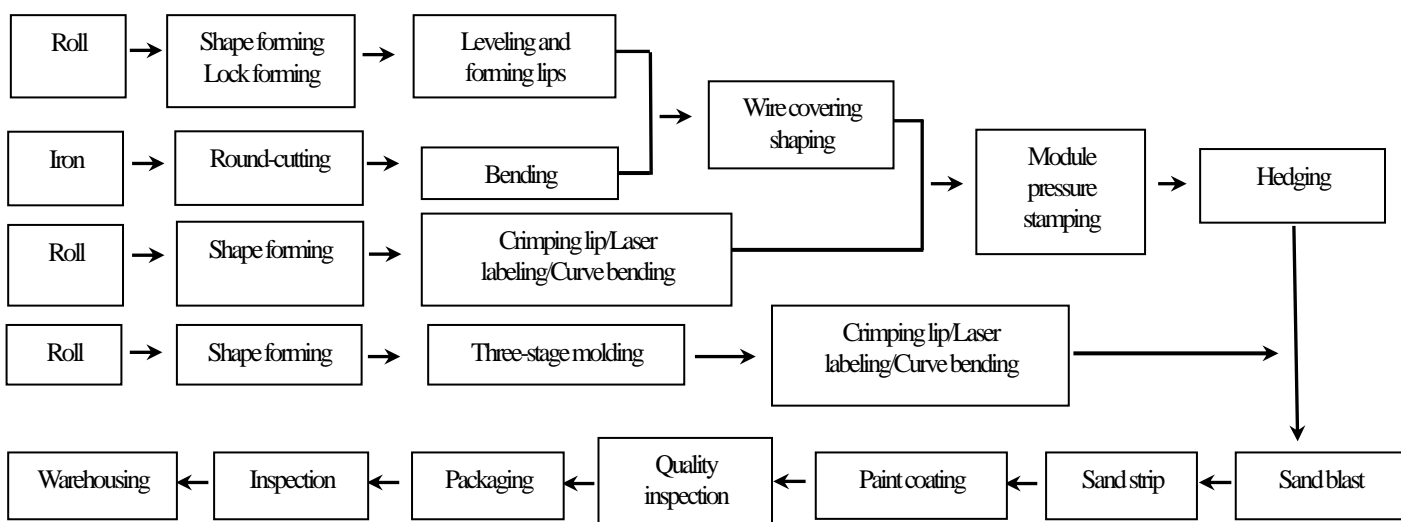
2.Production processes of the primary product

The Company specializes in our own manufacture of baking pans and trays, toast trays, and cake molds, with the production processes described, respectively, as follows:

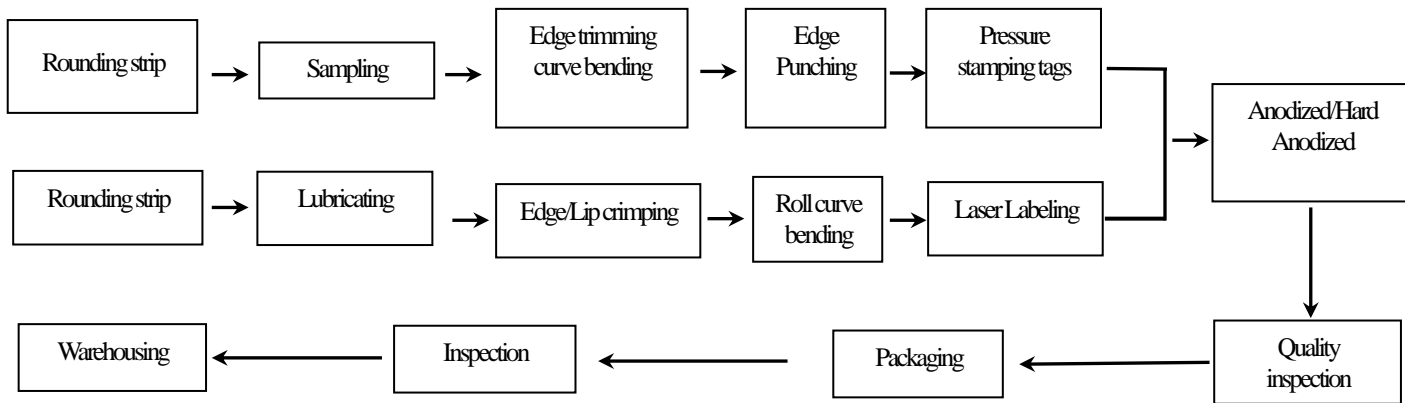
(1) Baking pans and trays



(2) Toast trays



### (3) Cake molds



### (III)Supplies of main raw materials

The company's main raw materials are aluminum alloy, aluminum coated sheet, and stainless steel. All raw materials can be sourced locally, and due to geographical advantages, the access to supply and technical support is both convenient and efficient. The Company has built long-term cooperation and positive relations with its suppliers, who can meet the Company's needs in terms of quality, lead time, and cost. As of the date of publication of this Annual Report, no work interruptions or other disputes have occurred due to the lack of materials.

(IV) Most recent two years' primary supplies and sales customer information

1. Suppliers accounting for more than 10% of annual net procurement for the most recent two years:

Item	2022				2023			
	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of annual net purchases (%)	Relationship with the issuer
1	Company A	82,201	11.85	None	Company A	91,108	12.45	None
2	Company B	75,747	10.92	None	Company B	70,283	9.60	None
3	Others	535,585	77.23	NA	Others	570,514	77.95	NA
	Net Purchases	693,533	100.00	-	Net Purchases	731,905	100.00	-

Description of changes:

This is primarily due to the sale of customized products increasing in 2023 from 2022, and the increasing unit price of raw materials and supplies. Given the increase in both quantity and price, the proportion secured by the supplier, Company A, increased from 11.85% in 2022 to 12.45%. Furthermore, due to the price of aluminum alloy decreased than in 2022, the proportion secured by the supplier, Company B, decreased from 10.92% in 2022 to 9.60%.

However, to prevent from making concentrated purchases to any one supplier, the Company continues to seek for alternative suppliers who can meet the Company's needs in terms of quality, lead time, and cost.

2. In 2022 and 2023, the Company did not have any sales customers who purchased more than 10% of the sales volume.

## (V) Most recent two years production value: (Consolidated Financial Statement)

Units: 1,000 pieces, NT\$ Thousand

Production value Product type	Year	2022			2023		
		Production capacity (Note)	Production volume (Note)	Production value	Production capacity (Note)	Production volume (Note)	Production value
Customized products		-	-	411,344	-	-	320,967
Baking molds		-	-	445,494	-	-	500,572
Baking appliances		-	-	140,384	-	-	119,609
Household appliances		-	-	15,623	-	-	10,681
Ingredients		-	-	-	-	-	-
Other appliances		-	-	12,521	-	-	119,430
Total		-	-	1,025,366	-	-	1,071,259

Note: Because production involve many diverse combinations, with different specifications and many changes, the volume category is highly diverse and not amenable to comparison, so production value is relied on instead.

## (VI) Sales volume and value in the most recent two fiscal years

Units: 1,000 pieces, NT\$ Thousand

Sales Volume and Value Product type	Year	2022				2023			
		Domestic Sales (Note1)		External sales		Domestic Sales (Note1)		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Customized products		-	526,772	-	93,028	-	480,288	-	84,666
Baking molds		-	575,943	-	101,710	-	668,126	-	117,780
Baking appliances		-	344,797	-	60,890	-	361,244	-	63,681
Household appliances		-	32,954	-	5,819	-	23,059	-	4,065
Ingredients		-	38,593	-	6,815	-	26,971	-	4,755
Other appliances		-	63,438	-	11,203	-	60,533	-	10,671
Total		-	1,582,497	-	279,465	-	1,620,221	-	285,618

Note 1: The Company's domestic sales refer to sales in Taiwan and China, and external sales refer to sales to countries outside of Taiwan and China.

Note 2: Because sales involve many diverse combinations, with different specifications and many changes, the volume category is highly diverse and not amenable to comparison, so production value is relied on instead.

### III. The most recent two years number of employees

Unit: Person

Year		2022	2023	As of April 30, 2024
Number of Employees	Direct employees	270	304	305
	Indirect employees	133	122	123
	Management and Marketing Employees	245	257	251
	R&D personnel	48	52	48
	Total	696	735	727
Average Age		39.5	38.7	40.0
Average length of service (seniority in years)		7.3	7.4	7.7
Educational distribution ratio	Ph.D.	0.00%	0.00%	0.00%
	Master's	2.30%	2.88%	2.61%
	Bachelor's and university level	42.10%	40.96%	42.78%
	Senior High School	23.14%	24.93%	25.86%
	Below Senior High School	32.46%	31.23%	28.75%

### IV. Environmental protection expenditures

Expenses on environmental protection: In recent year and until publication date of annual report, losses due to environmental pollution (including compensation and violations of environmental regulations based on the findings of environmental protection audit results, its punishment date, reference number, the details of the article/s violated and its punishments, should be clearly listed), current and future possible expenses and countermeasures should be disclosed. If it is not possible to make a reasonable estimate of the expenses, the facts for not able to make a reasonable estimate should be clearly stated : None.

### V. Labor Relations

(I) The Company's employee welfare measures, continuing education, training, retirement system and implementation thereof, along with agreements between employees and the employer, and the status of various employees' rights and interests

1. The Company's employee welfare measures, continuing education, training, retirement system and implementation thereof, along with agreements between employees and the employer, and the status of various employees' rights and interests

(1) Employee benefit plans

A. Work Environment

- ✓ Employee Cafeteria: To provide employees a good dining space, the Company designed a cafeteria for employees which allows them to enjoy meals before work, at lunch and before working overtime. Cleaning staff maintains the environment and hygiene of the cafeteria on a daily basis.

The cafeteria is an appropriate environment equipped with proper rinse units and microwave ovens that allow employees to reheat the meals they bring themselves, ensuring hygiene and health.

- ✓ Underground parking is provided: In addition to free employee parking spaces, the Company has also designed an interior parking lot with raincoats and rain gear hanging areas to let employees commute to and from work in the rain with peace of mind.
  - ✓ Exercise gym: After employees finish work for the day, they can use the exercise gym to relieve stress and improve their health in balance with their work.
  - ✓ Dorms: During the afternoon siesta period, employees can rest in their beds, and the clean and comfortable environments ensure that they will not be disturbed.
  - ✓ Lactation Room: The room is set up exclusively for breastfeeding female employees to express breast milk without interruption.
  - ✓ Break Area: The company is superior to the regulations to provide employees with a rest period after 2 hours of work. There are tables, chairs, magazines and drinks, *etc.* facilities. There is also an independent smoking space, so that employees can really fully relax for a short time.
  - ✓ Baking classroom: Baking events for the family are organized to promote interactions between employees and their family members after working hours.
  - ✓ AED Certified Workplace: Pursuant to regulations from the Management Approach to Necessary Emergency Rescue Equipment at Public Areas, the Ministry of Health and Welfare has drafted the Automated External Defibrillator (AED) Certified Workplace, of which the Company has provided to offer a safe environment for employees and for the corporation as a whole. Relevant certification been approved by the Taichung City Government.
- B. Welfare Committee: The welfare committee provides employees with domestic and international travel activities, holiday bonuses, birthday bonuses and so on. The committee also offers price discounts with certain stores to encourage employees to do leisure activities outside working hours to reach a work-life balance.
- C. Health Check-up:
- ✓ To ensure the safety and health of employees, the Company provides superior annual health examinations to employees more superior than statutory requirements, and advanced examinations are provided to senior managers. For employees working on the manufacturing site, various

inspection related to hearing protection has been enhanced and are concurrently implemented in a workplace environment with noise levels lower than 85 decibels, showing our commitment to building a healthy and safe work environment.

- ✓ Onsite services began in January 2, 2020, and the worker health services program has been formulated. Onsite physicians and nurses provide clinical healthcare services in line with the aforesaid program. Upon annual contract renewal, reassess the effectiveness of on-site occupational medical and nursing services to ensure that employees receive high-quality on-site services.

D. Afternoon Tea/Snack Bar: The Company regularly offers afternoon snacks for employees to facilitate employee interaction. Meanwhile, as a result of internal baking activities from time to time, employees have the opportunity to enjoy breads, cakes, and pastries that are freshly baked, comforting and newly developed.

E. Education and Training: The education and training include both internal and external training. The human resource department of the Group and each department of all subsidiaries are required to review and determine professional expertise and skills that need to be improved based on the focal points and objectives of the Group's annual development plan to arrange internal and external training resources that allow employees to attend during working hours. Since 2018, with governmental subsidies for training, the Company has been improving and optimizing its training and introducing different methods to offer employees diversified and comprehensive training and education and has extended the TTQS bronze award in 2021.

F. Leave rules: leaves are provided in accordance with the Basic Labor Law, while some leaves are better than those provided under the law.

G. Others

- ✓ To further enhance our organizational competitiveness, after the Group went listing it has continued activities to optimize the organization. These include optimization of the remuneration structure, bonus system optimization, performance evaluation management system establishment, work unit rotations, and expansion of employee secondary skills etc., build a work platform for happy learning and growth.
- ✓ Periodically review work rules and comply with regulatory updates, consolidating measures for preventing and addressing sexual harassment, complaints, and disciplinary actions into Regulations Governing Workplace Gender Equality, Prevention of Workplace Misconduct and Sexual Harassment, Complaints, and Disciplinary Measures." Devoted to pursuing



better working conditions and environment for employees.

- ✓ A four-plus-one program has been formulated: (a) Conduct prevention of unlawful infringement at the workplace environment; (b) prevention of diseases related to overwork; (c) maternal safety protection at the workplace; (d) ergonomic hazard preventions; and (e) hearing protection program.
- ✓ Machinery improvement team was formed to implement feasible improvements. These efforts were positively recognized by the Industrial Safety and Health Association (ISHA) of the R.O.C., which used our experiences as a case study of exemplary improvements.
- ✓ Enhanced operational safety protection, and provided protective shoes to frontline operators to ensure employees' operational safety.
- ✓ Enhance the use and knowledge training of fire safety facilities and periodically disseminate information to enhance the safety awareness of all employees.

## (2) Retirement system and implementation status

The Company seeks to secure employee lifestyles after retirement, so the Group and subsidiaries support pension funds as required by local law, contributing to retirement insurance or to accounts dedicated to retirement funds. The employee retirement policies of the Company and its domestic subsidiaries are defined appropriation plans pursuant to the Labor Pension Act. According to the Act, the amount of labor pension borne by the Company and its domestic subsidiaries shall not be less than six percent of the worker's monthly wage. The Company and its domestic subsidiaries have complied with the Act to appropriate 6% of employees monthly wage to the individual pension accounts under the supervision of the Bureau of Labor Insurance on a monthly basis. Subsidiaries in China will also appropriate a certain ratio of the employee's compensations as pension insurance to designated individual savings account at relevant government agencies based on regulations of the local governments.

## 2. Agreements between employees and the employer, and the status of various employees' rights and interests

All of the Group's subsidiaries have formed workers unions according to applicable local laws, or Employee-Employer Committees, or Employee Welfare Committees and more, to serve as channels for communications between employees and the Company's operational levels, ensuring employees can convey their opinions and concerns through these organization and promoting harmonious relations between the employers and the Company and formulating a good corporate culture. Meanwhile, the Company also periodically conducts related meetings to consider timely adjustments to employee welfare packages, thereby protecting employees' optimal rights and interests.

(II) In recent year and until publication date of annual report, clearly state the losses due to labor disputes (including violations of Labor Standards Act based on the findings of labor audit, its punishment date, reference number, the details of the article/s violated and its punishments, should be clearly listed), current and future possible expenses and countermeasures should be disclosed. If it is not possible to make a reasonable estimate of the expenses, the facts for not able to make a reasonable estimate should be clearly stated.

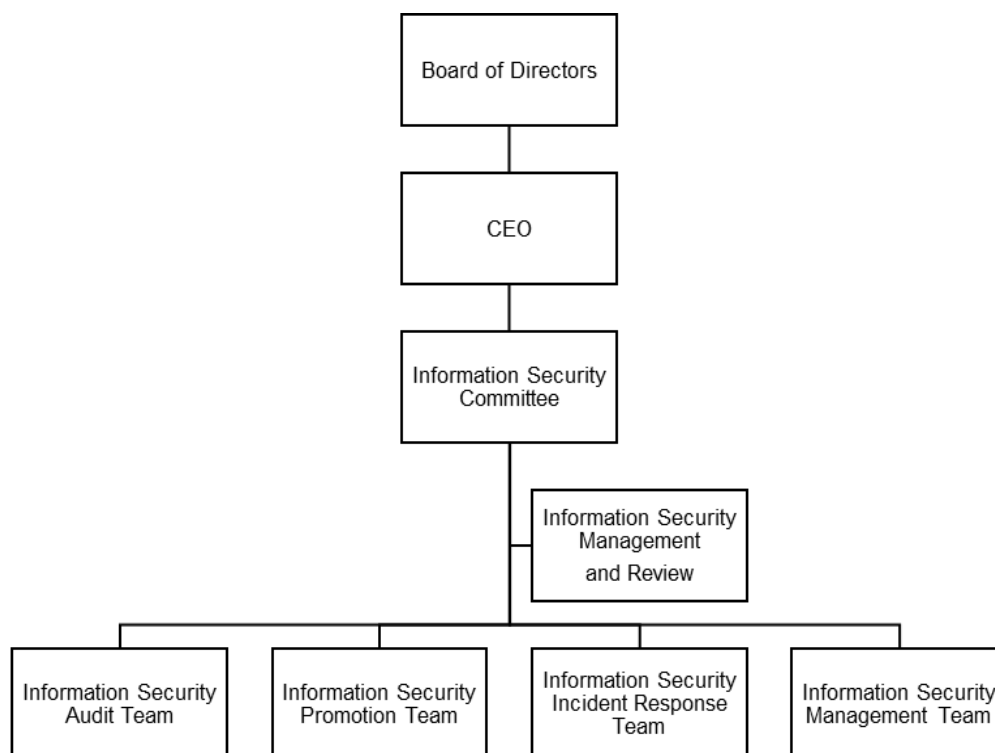
The Company enjoys harmonious employee and employer relations, and has not to date ever experienced any serious labor disputes.

## VI. Information and communication security management

### (I) Information and communication security management framework

#### 1. Information and communication security management framework

The Company has established the Information Security Committee to lead the formulation and decision-making of relevant information security procedures and coordinate and implement information security management and other relevant matters. The head of the Group's management center serves as the convener of this organization and assigns information technology personnel as members of each team under the committee.



#### 2. Responsibilities of information security governance organization

##### (1) Information Security Committee

- A. Review of information security management system and relevant management measures.
- B. Formulation of information and communication security policy.
- C. Coordination of information security work and resources across units
- D. Supervision of the use of information assets.
- E. Discussion and confirmation of information security equipment and technology

applications.

- F. Supervision and review of information security incident response and handling.
  - G. Convening of information security management meetings from time to time to confirm the implementation status of various information security operations and problem improvement.
  - H. Regular report on the information security governance and audit to the Board of Directors. (It shall report on the information security status in the prior year in the first quarter of each year and report on special incidents at any Board meeting, if any, without a need for prior notice.
- (2) Information Security Audit Team
- A. Audit of the implementation status of the system.
  - B. Development and execution of an internal audit plan of the Group and its subsidiaries.
  - C. Tracking of anomaly improvement and suggestion implementation.
- (3) Information Security Promotion Team
- A. Implementation of information security activities.
  - B. Formulation of relevant information security regulations and measures with the management team.
  - C. Execution and tracking of the resolutions by the Information Security Committee and the improvement work at each subsidiary.
  - D. Provision of suggestions to the audit performed by the information security audit unit and supervision of the improvement work.
- (4) Information Security Management Team
- A. Formulation of relevant information and communication management regulations.
  - B. Planning and launch of information security activities.
  - C. Establishment of disaster response mechanisms and recovery plans.
  - D. Implementation of the improvement work for information security defects.
  - E. Planning of information security equipment and technology applications.
  - F. Execution of tasks assigned by the Information Security Committee.
  - G. Convening of regular management review meetings (Information Security Committee) to report to committee members.
- (5) Information Security Incident Response Team
- A. Execution of emergency response measures upon the occurrence of an information security incident or crisis until the closure of an information security incident or crisis.
  - B. Identification of the causes of information security incidents or crises and provision of

suggestions about improvement and prevention.

### 3. Information and communication security policy

#### (1) Information and communication security management strategy

To provide clearly defined information and communication security management and control guidelines for each unit, the Information Security Management System (ISMS) is particularly established to improve the Company's information security management capabilities and reduce the organization's operational risks. Meanwhile, the Plan-Do-Check-Act (PDCA) management cycle is adopted to regularly review the applicability, suitability, and effectiveness of the system every year, and the responsible personnel will report on the implementation results to the Information Security Management Review Committee on a regular basis.

#### (2) Information and communication security management framework

With said PDCA management cycle in the above information security management strategy, we have devised a policy in level 1, established procedures in level 2, provided work instructions in level 3, and created ISMS documents in level 4 as per the 4 levels of ISO documentation. The focus of our PDCA mechanism is on the aspects below:

In the Plan stage, a focus is placed on the establishment of a complete information security management system, namely ISMS, including an information security policy, objectives, and documents, thereby reducing information security threats and establishing information protection services that satisfy customers' needs.

In the Do stage, a focus is placed on the establishment of various information security protection and control measures, continuous adoption of information security defense technology, integration of the information security control mechanism into software and hardware maintenance and various daily operating processes, and maintenance of the confidentiality, integrity, and availability of key assets.

In the Check stage, a focus is placed on active monitoring and audit of the process and properly cope with anomaly, non-conformance, and matters that need to be improved, to achieve the goal of continuous improvement.

In the Act stage, a focus is placed on review and continuous improvement as well as supervision and audit to ensure the continuous effectiveness of information security regulations.

#### (II) Specific management plan

1. Strengthen network firewall and control to block external attacks
2. Regularly update the system to plug system loopholes
3. Establish an endpoint protection mechanism, install antivirus and anti-hacking software, and strengthen malware detection
4. Regularly hold social engineering exercises to increase employees' awareness of information security.

5. Regularly offer information security education and training to raise employees' awareness of information security.
6. Establish standardized disaster recovery exercises, and conduct disaster recovery exercises regularly for key systems to quickly resume normal operations in response to information security incidents or disasters, to be aligned with the business continuity management principle.
7. Hold information security management review meetings regularly to review the ISMS to ensure its continuous suitability, adequacy, and effectiveness.
8. Regularly review privileged accounts, user accounts, and access permissions.
9. Regularly perform internal information security audits, formulate improvement measures for identified issues, and regularly track the improvement situation.
10. Establishing a Zero Trust Network Mechanism.

### (III) Investment of resources in information and communication security management

1. To be aligned with the purpose of business continuity management and the principle of uninterrupted information services, we have established a high availability (HA) backup mechanism in November 2020 to reduce the risk of operational interruption and achieve seamless system switching.
2. To improve the integrity of the information security policy, we have established the ISMS as per the ISO27001 standard, including level one policy, level two procedures, level three work instructions, and level four tables.
3. All new employees need to receive training on basic information security concepts during new hire training starting from 2020.
4. To be aligned with the purpose of business continuity management and the principle of uninterrupted information services, we have established a high availability (HA) backup mechanism in November 2020 to reduce the risk of operational interruption and achieve seamless system switching.
5. To reduce the risk of data loss in the event of information security incidents, we established standardized disaster recovery exercises for key systems in January 2021 and executing according to the annual plan.
6. Starting from September 2023, conduct a monthly cybersecurity awareness campaign to enhance colleagues' cybersecurity awareness.

### (IV) Important Information Security Risks and Countermeasures

1. To improve the stability of the user-end environment, we will gradually carry out system replacement, upgrades, and information security checkups.
2. To comply with the cybersecurity regulations, colleagues responsible for information security must receive at least 12 hours of cybersecurity education and training. In order to

meet this requirement, completion of a 40-hour international certification training program in cybersecurity was accomplished.

3. Disaster recovery exercises for Zimbra mail server, HRM System, and Easy Flow systems were conducted in May, October, and November 2023, respectively, following the annual disaster recovery plan.
4. To reduce the program risk from application systems, we have implemented a project to terminate the use of Internet Explorer in Data Systems Consulting Co., Ltd.'s enterprise resource planning (ERP) system and Easy Flow sign-off system and adopt the Chrome or Edge browser instead, to reduce the risk of information security.
5. Implementing ZTNA (Zero Trust Network Access), refers to strictly verifying each user and device before granting access to internal resources.
6. The Company reported to the Board of Directors on the information security implementation status in 2023 and the information security projects planned to be executed in 2024 at the 7th meeting of the 4th Board of Directors on March 12, 2024.

(V) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

#### VII. Important Contract

Nature of the Agreement	Parties	Date of onset of the Contract		Main contents	Terms and Conditions Restrictions
Short term loan agreement	CTBC Bank Co., Ltd.	2023/08/23	2024/08/23	For line of credit in the sum of up to US\$3 million	None
Short term loan agreement	Taishin Bank	2023/06/30	2024/06/30	For line of credit in the sum of up to US\$5 million	None
Long term loan agreement	First Bank	2014/4/21	2029/4/21	For line of credit in the sum of up to NT\$341 million	None
Short term loan agreement	First Bank	2023/2/14	2024/2/14	For line of credit in the sum of up to NT\$150 million	None
Short term loan agreement	E.SUN Bank	2023/06/01	2024/06/01	For line of credit in the sum of up to NT\$60 million Total foreign exchange credit shall not exceed US\$ 2 million.	None
Management System agreement	Taifon Computers Co., Ltd.	2024/01/30	2025/09/15	Management System agreement	None

Nature of the Agreement	Parties	Date of onset of the Contract		Main contents	Terms and Conditions Restrictions
Technology Development (Commissioned) Agreement	Nanjing University of Aeronautics and Astronautics	2021/11/10	2024/12/31	Research on surface super-hydrophobicity treatment technology for baking appliances	None
Supply and Distribution Agreement	State Grid Wuxi Power Supply Company	2024/02/19	2029/02/18	power generation project of Non-self-distributed photovoltaic power generation enterprise	None
Office lease agreement	Space Design Co.	2023/01/05	2025/01/04	Contract of office	None
Warehouse lease agreement	CRE, Inc.	2023/01/11	2025/01/10	Koshigayashi Warehouse Lease operations	None
Office lease agreement	Nn.EVA VIRGINLA	2023/12/22	2024/12/22	Lease for office	None
Dormitory lease agreement	Vasdev Bassarnal Relwani	2023/11/5	2024/11/15	Lease for dormitory	None

## Chapter VI. Financial Status

### I. Condensed financial information for the most recent 5 years

#### (D) Condensed Balance Sheet and Comprehensive Income Statement

##### 1. Consolidated Condensed Statement of Balance Sheet

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		1,156,262	1,253,468	1,195,988	1,125,323	1,159,838
Property, Plant and Equipment		954,154	949,675	906,930	859,953	818,572
Intangible assets		7,342	6,723	4,730	3,271	2,957
Other assets		91,059	66,080	228,314	232,023	221,386
Total assets		2,208,817	2,275,946	2,335,962	2,220,570	2,202,753
Current liabilities	Before distribution	416,746	447,706	510,287	424,547	398,049
	After distribution	598,996	629,956	692,537	546,047	549,924
Non-current liabilities		168,039	147,399	128,020	109,400	90,900
Total liabilities	Before distribution	584,785	595,105	638,307	533,947	488,949
	After distribution	767,035	777,355	820,557	655,447	640,824
Equity attributable to shareholders of the parent		1,615,480	1,669,434	1,691,669	1,676,937	1,702,053
Capital stock		607,500	607,500	607,500	607,500	607,500
Capital surplus		649,031	649,031	649,031	648,815	648,815
Retained earnings	Before distribution	496,170	533,130	563,667	528,966	583,071
	After distribution	313,920	350,880	381,417	407,466	431,196
Other equity interest		(137,221)	(120,227)	(128,499)	(108,344)	(137,333)
Treasury stock		-	-	-	-	-
Non-controlling interest		8,552	11,407	5,956	9,686	11,751
Total equity	Before distribution	1,624,032	1,680,841	1,697,655	1,686,623	1,713,804
	After distribution	1,441,782	1,498,591	1,515,405	1,565,123	1,561,929

Information source: CPA audited Consolidated Financial Reports.



## 2. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	1,895,403	1,913,403	2,067,136	1,861,962	1,905,839
Gross profit	699,215	767,556	767,824	675,102	737,004
Income from operations	205,746	275,420	248,988	195,137	220,517
Non-operating income and expenses	24,429	9,054	6,500	9,471	34,644
Net profit before tax	230,175	284,474	255,488	204,608	255,161
Net Income for Continuing Operations	230,175	284,474	255,488	204,608	255,161
Loss from discontinued operations	-	-	-	-	-
Net income (loss)	187,793	220,416	207,426	145,572	178,477
Comprehensive income or loss (net value after tax) in this period	(28,106)	16,429	(8,362)	20,233	(29,200)
Total comprehensive income (loss)	159,687	236,845	199,064	165,805	149,277
Net profit attributable to owners of parent company	188,940	222,118	212,787	147,736	175,605
Net income attributable to non-controlling interests	(1,147)	(1,702)	(5,361)	(2,164)	2,872
Total comprehensive income or loss attributable to the owner of the parent company	160,946	238,604	204,515	167,891	146,616
Total comprehensive income attributable to non-controlling interests	(1,259)	(1,759)	(5,451)	(2,086)	2,661
Earnings per share	3.11	3.66	3.50	2.43	2.89

Information source: CPA audited Consolidated Financial Reports.

(II) If there has been an impact on the above-mentioned financial statements for a consistent item, such as due to changes in accounting, merger, or work cessation in operations departments of the Company, and the impact of such changes in the current year's financial statements: None.

(III) Names of certified public accountants over the past five fiscal years and audit opinions

### 1. Names of certified public accountants over the past five fiscal years and audit opinions

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Chang, Keng-Hsi Chen, Chiang-Hsun	Unqualified opinion
2020	Deloitte & Touche	Chang, Keng-Hsi Chen, Chiang-Hsun	Unqualified opinion
2021	Deloitte & Touche	Chang, Keng-Hsi Chen, Chiang-Hsun	Unqualified opinion
2022	Deloitte & Touche	Liu, Li-Wei Ho, Jui-Hsuan	Unqualified opinion
2023	Deloitte & Touche	Liu, Li-Wei Ho, Jui-Hsuan	Unqualified opinion

2. If the CPA firm has changed in the past five years, the Company shall disclose the reason for replacement of the former, and retention of the successor CPAs: Please refer to page 104 of this Annual Report.

## II. Financial Analysis of the Past Five Years

Item (Note2)		Financial Analysis for the Past Five Years (Note1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt Ratio	26.48	26.14	27.32	24.04	22.19
	Ratio of long-term capital to fixed assets	187.82	192.51	201.30	208.85	220.46
Solvency (%)	Current ratio	277.45	279.97	234.37	265.06	291.38
	Quick ratio	214.73	211.32	162.26	193.55	206.55
	Interest earned ratio (times)	53.13	80.99	85.62	53.59	61.02
Operating performance	Accounts receivable turnover (times)	7.81	7.70	7.71	7.36	8.44
	Average collection period	47	47	47	50	43
	Inventory turnover (times)	3.77	3.60	3.57	3.23	3.44
	Accounts payable turnover (times)	10.03	7.79	8.55	9.53	11.11
	Average days in sales	97	101	102	113	106
	Property, plant and equipment turnover (times)	2.06	2.01	2.22	2.10	2.27
	Total assets turnover (times)	0.85	0.85	0.89	0.81	0.86
Profitability	Return on total assets (%)	8.59	9.95	9.09	6.52	8.22
	Return on stockholders' equity (%)	11.51	13.33	12.27	8.60	10.49
	Net income before tax to paid-in capital ratio (%)	37.89	46.82	42.05	33.68	36.29
	Profit ratio (%)	9.91	11.51	10.03	7.81	9.36
	Earnings per share (NT\$)	3.11	3.66	3.50	2.43	2.89
Cash flow	Cash flow ratio (%)	87.97	64.67	43.91	64.68	49.68
	Cash flow adequacy ratio (%)	101.23	99.05	88.61	103.53	111.55
	Cash reinvestment ratio (%)	8.12	4.48	1.85	4.00	3.19
Leverage	Operating leverage	1.40	1.31	1.37	1.44	1.34
	Financial leverage	1.02	1.01	1.01	1.02	1.01

Explanations for changes in the most recent two years in assets, liabilities, and equity affecting 20% thereof or more, or greater than NT\$10,000 thousand dollars:  
Return on total assets (%): Mostly attributable to increased net income after tax than last year.  
Return on stockholders' equity (%): Mostly attributable to increased net income after tax than last year.  
Cash flow ratio (%): Mostly attributable to decreased net cash generated from operating activities in 2023.  
Cash reinvestment ratio (%): Mostly attributable to decreased net cash generated from operating activities in 2023.

Note 1: The calculations are based on use of the CPA audited Consolidated Financial Reports.

Note 2: Description of formulas used in financial analysis:

1. Financial structure

(1) Debt-asset Ratio = Total Liabilities / Total Assets.

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.

(3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.

3. Operating ability

(1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).

(2) Average Collection Days = 365 / Receivables Turnover Rate.

- (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
- (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
- (5) Average Days for Sale = 365 / Inventory Turnover Rate.
- (6) Property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
- (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
- (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
- (2) Return on equity = net income after tax / average equity
- (3) Return on Equity = Net Income / Average Total Equity.
- (4) Net Profit Margin = Net Income / Net Sales.
- (5) Earnings per Share = (Income Attributable to Owners of Parent Company – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued. (Note 3)
5. Cash flow
- (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
- (3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)
6. Leverage:
- (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 5).
- (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

### III. Audit Committee's Report for the Most Recent Year



#### **Audit Committee Review Report**

The Board of Directors herewith submits the 2023 Business Report, Consolidated Financial Statements, and Profit Distribution Proposal, including the consolidated financial statements that have been audited by Chang, Keng-Hsi, CPA, and Chen, Chiang-Hsun, CPA, of the Deloitte & Touche accounting firm, who have issued an audit report. The aforementioned business report, consolidated financial statement, and profit distribution proposal have been audited by this Audit Committee, and the Committee does not find any discrepancies. Thus, this report is made in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act; kindly review accordingly.

Sincerely,

San Neng Group Holdings Co., LTD. 2022 Shareholders' Meeting

San Neng Group Holdings Co., LTD.

Convener of the Audit Committee Chen, Shuei-Jin

Mar. 28, 2024

IV.Consolidated Financial Report for the most recent year as audited by the CPAs

For the Company's consolidated financial statements audited by the CPAs for the most recent year: Please refer to pages 199 to 258 of this annual report.

V.Entity Financial Statement of the Latest Year Inspected and Authenticated by CPAs : None.

VI.Impact of the Latest Financial Difficulties Encountered by the Company and its Associated Enterprises on the Company's Financial Standing as of the Date of Printing of the Annual Report: None.

Chapter VII. Discussion and Analysis of Financial Standing and Financial Performance and Risks

I. Financial Standing

Unit: NT\$ thousands

Item	Year	2023	2022	Difference	
				Amount	%
Current Assets		1,159,838	1,125,323	34,515	3.07
Fixed Assets		818,572	859,953	(41,381)	(4.81)
Other Assets		224,343	235,294	(10,951)	(4.65)
<b>Total Assets</b>		<b>2,202,753</b>	<b>2,220,570</b>	<b>(17,817)</b>	<b>(0.80)</b>
Current Liabilities		398,049	424,547	(26,498)	(6.24)
Long-term Liabilities		79,434	96,784	(17,350)	(17.93)
Other Liabilities		11,466	12,616	(1,150)	(9.12)
<b>Total Liabilities</b>		<b>488,949</b>	<b>533,947</b>	<b>(44,998)</b>	<b>(8.43)</b>
Capital stock		607,500	607,500	-	-
Capital surplus		648,815	648,815	-	-
Retained Earnings		583,071	528,966	54,105	10.23
Other Adjustments		(137,333)	(108,344)	(28,989)	26.76
Non-Controlling Interests		11,751	9,686	2,065	21.32
<b>Total Stockholders' Equity</b>		<b>1,713,804</b>	<b>1,686,623</b>	<b>27,181</b>	<b>1.61</b>

Explanations for changes in the most recent two years in assets, liabilities, and equity affecting 20% thereof or more, or greater than NT\$10,000 thousand dollars: None.

Other Adjustments: Mainly decreased from foreign exchange influences affecting a fluctuation in the exchange difference between the financial statements of foreign operating institutions.

Information sources: Consolidated financial statements as audited by CPAs.

## II. Financial Performance

### (I) Financial performance analytical comparison

Unit: NT\$ thousands

Item \ Year	2023	2022	Difference	
			Amount	%
Operating Revenue	1,905,839	1,861,962	43,877	2.36
Operating cost	1,168,835	1,186,860	(18,025)	(1.52)
Gross profit	737,004	675,102	61,902	9.17
Operating expenses	516,487	479,965	36,522	7.61
Operating income	220,517	195,137	25,380	13.01
Non-operating income and expenses	34,644	9,471	25,173	265.79
Net profit before tax	255,161	204,608	50,553	24.71
Income tax expenses	76,684	59,036	17,648	29.89
Net profit	178,477	145,572	32,905	22.60
Other comprehensive income	(29,200)	20,233	(49,433)	(244.32)
Total comprehensive income	149,277	165,805	(16,528)	(9.97)

For increased or decreased rate changes affecting 20% thereof or more, or greater than NT\$10,000 thousand dollars analysis thereof is provided as follows:

Non-operating income and expenses: Mainly arises from interest income, exchange gains and income from government subsidies compared to the same period last year.

Net profit before tax: This year, due to the stabilization of costs was attributed to the moderation in raw material prices compared to last year. Furthermore, the Company implemented cost-saving project, enhancing cost management and thus increasing gross profit. Additionally, non-operating income also saw an increase compared to the same period last year, leading to a higher net profit before tax for this period than last year.

Income tax expenses: Mainly arises from surplus repatriation of subsidiary in 2023.

Net profit: Mainly increased from gross profit and operating income for the current period compared to 2022.

Other comprehensive income: Mainly arises from foreign exchange influences affecting a fluctuation in the exchange difference between the financial statements of foreign operating institutions.

Information sources: Consolidated financial statements as audited by CPAs.

### (II) Forecast sales volume and basis thereof

The Company's main products are various baking appliances. In recent years, in addition to entering the sector of small baking appliances and baking materials, it has also strengthened the development of the cookware market. Beginning in 2022, we plan to intensify our strategic collaboration with industry counterparts to bolster our e-commerce operational proficiency. This initiative will involve assisting Taiwanese firms' suppliers of raw materials and equipment in setting up their flagship stores. Additionally, we will pursue operational outsourcing partnerships. This cooperative approach will not only augment our profit margins but also elevate the visibility of our industry colleagues' brands and products

across the digital landscape, thereby broadening our online customer base.

The Company's expected sales volume in 2024 is estimated based on the growth rate of the bakery market of each subsidiary of the Group over the years. In addition to the expected sales volume growth of the original market and customers in 2024, the Company will also take into account the product development plan in 2024, to sequentially optimize its existing products, launch new products, expand new market and at the same time integrate upstream and downstream enterprises in the bakery industry to build a strategic alliance. Meanwhile, the Company will launch joint marketing through bakers and cultural creative channels. These sales modes are expected to create further growth in e-commerce sales business.

In 2024, our Company intends to partner with baking instructors and their classrooms as a component of our digital transformation strategy. This will allow students the ease of making online purchases through unique QR codes supplied by these instructors and classrooms. Squires will manage the transactions and shipping directly, with a portion of the profits being distributed to the classrooms and instructors via a commission-based structure. These novel sales approaches are anticipated to substantially boost our e-commerce business growth. In the aftermath of the pandemic, the baking industry in mainland China continues to show a positive growth trajectory. Consequently, our subsidiary, Squires, is not only marketing its traditional baking equipment but also actively pushing a range of baking-related products, including food ingredients and baking appliances. We have even assumed the role of a distributor for baking products, consistently driving sales via e-commerce. Moreover, we are capitalizing on the swift expansion of industrial clients in the post-pandemic period and the rise in technological challenges. Through diagnostic services, we scrutinize our clients' factory production methods, pinpoint inefficiencies, and implement enhancements to lower their production expenses. The results in cost savings, increased client dependency, and improved product competitiveness, facilitating the sustained sales growth of our customized products. In 2024, Sanneng successfully broadened its market reach through the introduction of the Sanneng Outdoor brand. Additionally, the Company launched the Sanneng Home product line, which encompasses a variety of new offerings for kitchen and storage needs. We have also launched the Sanneng Industry range of industrial goods. These offerings not only enhance the quality of our products but also provide a price advantage, giving us a competitive edge. Consequently, we have now expanded our reach into additional industrial sectors. Subsequent to the pandemic reopening, Sanneng Japan has capitalized on the opportunity by bringing Japanese technicians to Taiwan to provide expertise and market raw materials. This strategic move has led to a significant boost in Sanneng Japan's export revenue. In Indonesia, Sanneng Indonesia has established strong partnerships with local entities to facilitate domestic production of goods. This strategy leverages local resources, leading to cost savings, enhanced price competitiveness, and growth in the Indonesian market.

The outlook of the e-commerce growth, the continuous promotion of revenues from industrial customers, launching new products, expanding new market, and the continuous expansion of the Asian market in the post-epidemic era in 2024 can better reflect the aim of “improving baking technology of Asia and co-creating a baking ecosystem” of San Neng Group. We look forward to better results continuously created by the Company in 2024.

(III) Foreseeable impacts and responsive plans for the Company’s future financial operations

The company is one of the major bakeware company to produce and sell in China and Taiwan. The two brands, “SANNENG” and “unopan”, still have the brand value in the bakeware industry in Asia. For rapid expansion of business scale, the company will increase capital expenditures, develop in new products, enhance the management of operation and cost control to advance the operational growth and the ability of profit strength.

III. Cash Flow

(I) Analysis of Cash Flow in the most recent two years

Unit: NT\$ thousands

Item \ Year	2023	2022	Differences	
			Increase (Decrease) Amount	Increased (Decrease) Ratio %
Business activity	197,783	274,624	(76,841)	(27.98)
Investment activity	17,625	(290,728)	308,353	(106.06)
Financing activities	(168,612)	(236,591)	67,979	(28.73)
Analysis of changes:				
1. Business activities: In 2022, due to the significant increase in raw material prices, the company made large purchases to control costs. However, starting from 2023, raw material prices stabilized. The company reverted to its normal sales and inventory policies, maintaining reasonable inventory levels. As a result, the net cash inflow from operating activities decreased compared to the previous year.				
2. Investing activities: Mostly attributable to the Company acquired time deposits with original maturities of more than 3 months in 2023, there was increased net cash inflow from investing activities.				
3. Financing activities: Mostly attributable to decrease the amount of cash dividends in 2023, there was decreased net cash outflow from financing activities.				

Source: Consolidated Financial Statements audited by CPAs

(II) Remedy for Cash Deficit and Liquidity Analysis : None.

(III) Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Net Cash Flow from Investing Activities (3)	Estimated Net Cash Flow from Financing Activities (4)	Estimated Cash and Cash Equivalents at the end of Year (1)+(2)+(3)+(4)	Remedies for shortage in cash	
					Investment Plans	Financing Plans
335,199	222,340	158,727	(133,531)	582,735	-	-



Analysis of changes in estimated cash flows in 2024:

1. Business activities: the main reason is the estimated cash inflow based on the business plan.
2. Investment activities: the main reason is proceeding from sale of financial assets at amortized cost.
3. Financing activities: base on the estimation, mainly due to the issuance of 2023 cash dividends.

#### IV. Impact of the Latest Major Capital Expenditures on Financial Business

The capital expenditures of the Company in 2023 did not have any major impact on financial business.

#### V. Main Reasons for Profits or Losses of the Latest Re-investment Policy, Improvement Plan and Investment Plan for the Coming Year

##### (I) Investment policy in the recent year

The Company's management of invested companies is established in accordance with the Company's internal control system. In addition thereto, the Company has established “Regulations Governing the Supervision and Procedure of Subsidiaries”, and the “Guidelines for Related Entities, Special Companies, and Group Corporate Transactions”, and the actual operational conditions of each invested company to conform to local law, and assist each invested company to establish appropriate internal control systems. In accordance with the aforementioned guidelines and procedures, the Company also regularly obtains financial statement information, operational reports and audited financial statements from various invested companies, as well as real-time operating status of invested companies and analysis of profitability. The Company's Auditing Department also periodically or irregularly deploys personnel to subsidiaries to conduct compliance processes, and formulates audit plans and prepares audit reports, with traceability of deficiencies and aberrations in the internal control system, and ameliorative improvements thereto.

##### (II) Primary reasons for profit or loss from investments in the most recent year

Unit: In addition to items explicitly indicated otherwise, the remainder in NT\$ thousands

Investee	Shareholding Percentage	Investment gains and losses recognized for the most recent year	Primary reasons for profit or loss	Improvement Plan
EGI	100%	212,251	The Company shall recognize investment gains and losses.	Not applicable.
Sanneng Taiwan	100%	3,652	Operations are in good condition.	Not applicable.
Sanneng Hong Kong	100%	206,723	The Company shall recognize investment gains and losses.	Not applicable.
Sanneng Japan	100%	2,279	In 2023, with the easing of the pandemic, existing industrial clients placed steady orders while efforts to acquire new industrial	Not applicable.

Investee	Shareholding Percentage	Investment gains and losses recognized for the most recent year	Primary reasons for profit or loss	Improvement Plan
			clients continued. This resulted in stable growth in sales of bakeware, turning the business from a loss to a profit.	
Sanneng Indonesia	100%	(399)	The Group dispatched a VP and sales assistant with baking experience to Sanneng Indonesia, respectively, in order to supplement the lack of business experience. It complements the inadequacy of the existing Sanneng Indonesia business and expands its distribution development. It made the revenue growing by over 30% in 2023 compared to 2022. Despite the overall higher transportation and promotional expenses, Sanneng Indonesia still incurred losses in 2023. However, the recognized investment loss amounted to NT\$399 thousand, representing a reduction of NT\$1,307 thousand compared to the investment loss recognized in 2022.	Bolster the promotion of Sanneng Indonesia enhancing the promotion and To promote Sanneng Indonesia locally, efforts such as intensifying business promotion, utilizing exhibition to enhance Sanneng Indonesia's visibility, and expanding its sales scale are achieving the goals assigned by the Group.
Sanneng Wuxi	100%	242,402	Operations are in good condition.	Not applicable.
Xinneng	55%	884	Operations are in good condition.	Not applicable.
Squires	52.48%	1,953	In addition to online retail sales, Squires also provides services for businesses to operate sales platforms online. Furthermore, they have strengthened cost-saving projects and implemented internal inventory management. As a result, Squires turned a profit in 2023.	Not applicable.
Sanneng Guangzhou	100%	(7,154)	Sanneng Guangzhou officially commenced operations in 2022, so it is a newly founded company. Since some of the cost is considered as an investment in the new company, hence the recognized investment loss in 2023 was NT\$7,154 thousand.	In 2024, the Company hopes to boost the sales momentum in South China through comprehensive business services and minimize losses.

(III) Investment plans for the coming year: None.

## VI. Analysis and Assessment of Risks

(D) Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future responsive measures:

### 1. Interest rate movements

(1) Impact on the Company's profit and loss

The Company's interest income and interest expenses as a percentage of net operating income for 2023 were 0.88% and 0.22%, respectively. There has been stable net cash flow from operations in recent years, and the Company has sufficient liquid capital, with less reliance on borrowing from financial institutions. Thus, even with interest rate changes in the future, the Company will not suffer greater risk of loss in interest income from interest rate change, or increased costs from interest, so interest change impacts on the Company's operations and profitability remain minimal.

(2) Future responsive measures

Under the current operating plan of the company, it will continue to implement conservative and stable financial principles to control financial risks. In addition, the company and its subsidiaries will maintain close contact with the banks, keep abreast of interest rate changes, and strive for preferential borrowing rates according to the actual situation, reduce financial costs, so that interest rate changes will not adversely affect the company.

### 2. Exchange rate changes

(1) Impact on the Company's profit and loss

The company's main functional currency is mainly New Taiwan Dollars, so far there is no major exchange rate fluctuation risk. The company's daily operations are mainly based on the New Taiwan Dollar and Chinese Yuan (RMB) as the main currencies of transactions, of which RMB accounts for approximately 77.14% of the sales and 74.64% of the purchases. However, because the main operations of Sanneng Wuxi in the local area are all received and paid in RMB, the amount of revenue and expenditure should be close to balance. Therefore, in principle, the receipt and payment transactions denominated in RMB can naturally avoid risks. Moreover, the foreign currency assets and foreign currency liability shares can be adjusted flexibly according to exchange rate fluctuations. Therefore, although the rise and fall of the RMB will cause the company to generate some exchange gains and losses, the impact is still within the controllable range. In order to reduce the impact of exchange rate fluctuations on the company's profit and loss, the company and its subsidiaries maintain close contact with the correspondent banks to keep abreast of changes in the foreign exchange market. Business sectors and procurement departments of the company and subsidiaries will also adjusted the exchange rates for exporting or importing in light of changes of exchange rates, and would minimize the impact of exchange rate fluctuations.

The Company's ratio of foreign exchange gains/losses to net revenue and exchange gains/losses to operating profit were 0.14% and 1.22% in 2023. The ratio of exchange losses has been relatively small, and poses limited effects to the Company's operations.

(2) Future responsive measures

To mitigate the impact of exchange rate changes on the Company's profit and loss, the financial unit of the Company's Management Center collects online real-time

exchange rate information, and strengthens coordination with financial institutions, to consider foreign exchange rate trends, using Group intranet and email for real-time transfer of exchange rate information and forecasting to subsidiaries' relevant units as reference for foreign exchange transactions and pricing, while policies attempt to balance foreign exchange assets and liabilities, to attain natural hedging of risk exposure, and reducing foreign exchange rate fluctuation influences.

### 3. Inflation and Factors

#### (1) Impact on the Company's profit and loss

The price of major raw materials needed by the industry which the Company is engaged in, including aluminum alloy, aluminized steel plate, stainless steel, has always remained stable. Since 2021 to the end of 2022, due to factors such as the increase in the global demand for China's automobile industry, coupled with the war between Russia and Ukraine, as well as Japan and South Korea's restrictions on the export of aluminum alloys and aluminum-coated sheets, there was a shortage of aluminum raw materials needed by the baking industry. Fortunately, the situation has gradually stabilized after Q1 of 2023. Furthermore, during the period the Company has taken necessary responsive measures, including adjustment of the product price and pass-on of the procurement costs, solicitation for new raw materials suppliers, preparation of fair sales forecast and earlier procurement of raw materials, so no material effect has been posed to the Company due to the inflation.

#### (2) Specific responsive measures

The Company and subsidiaries' relevant units shall pay attention in real-time to fluctuations in market prices of raw materials and packaging materials, and maintain close ties with customers and suppliers both at home and abroad to estimate the international price trend of raw material, so the Company can pre-establish procurement strategies and centralized purchasing, adjusting procurement and sales strategies and product requirements to reduce the impact of producing price increases. The Company shall concomitantly actively develop new suppliers and processing plants, to diversify supply sources and spread price volatility. In particular, for major commodities using monthly or annual quotations, some should be maintained at international rates for procurement, so the Company can respond to future macroeconomic inflation or deflation induced challenges.

(II) Policies on high risk, highly leveraged investments, loans to others, endorsements, guarantees, and derivatives trading, the main reasons for profits or losses generated thereby, and future responsive measures to be undertaken.

1. Policies on high risk, highly leveraged investments: in principle, the Company's operations have been stable and conservative, and in the past year, to the date of publication of this annual report, the Company and its subsidiaries did not engage in any high-risk and highly leveraged investment transactions.
2. For the purpose of lending funds to others: The Company has established the "Guidelines for Lending of Funds to Other Parties", and the Company has provided lending funds to others for the most recent year and up to the printing date of this report as follows:

December 31, 2023 Unit: Thousands

Number	Endorsement/ Guarantee	Endorsement/ Guarantee Items	Current Account	Whether the customer is a related party	Highest balance in the current period	Ending balance	Actual expenditure	Interest Rate (%)	Reasons for Short-term Financing
0	The Company	Sanneng Japan	-	Yes	JPY 230,000	JPY 115,000	JPY 115,000	1.2%/year	Working capital
0	The Company	Sanneng Indonesia	-	Yes	USD 1,500	USD 1,500	-	6~7%/year	Working capital

April 30, 2024, Unit: Thousands Yen

Number	Endorsement/ Guarantee	Endorsement/ Guarantee Items	Current Account	Whether the customer is a related party	Highest balance in the current period	Ending balance	Actual expenditure	Interest Rate (%)	Reasons for Short-term Financing
0	The Company	Sanneng Japan	-	Yes	115,000	115,000	115,000	1.2%/year	Working capital
0	The Company	Sanneng Indonesia	-	Yes	USD 1,500	USD 1,500	-	6~7%/year	Working capital

3. Endorsement/Guarantees: The Company has formulated the "Regulations Governing Making of Endorsements/Guarantees" which have been approved by the shareholders' meeting and serves as a basis for relevant activities. In case the Company makes an endorsement/guarantee, the procedures will be rigorously followed to reduce relevant risks, and has not engaged in any endorsement/guarantees in the most recent year up to the publication date of this report.

4. Regarding derivatives trading: the Company has established the "Procedures for Acquisition or Disposal of Assets", and has not engaged in any derivatives trading in the most recent year up to the publication date of this report.

(III) Future R&D projects and anticipated R&D expenditures to be invested

The Company will continue to invest in R&D plans for new products, and it is expected that R&D expenditure to be invested in the year 2024 will total NT\$35,000 thousand dollars. The relevant plans and contents are as follows:

Unit: NT\$ thousands

Project Name	Content of project	Expected R&D Investments	Expected completion time
(1) Develop heat-resistant and non-sticking plastic materials	Simplify the production process by using injection molding to produce bakeware products that meet food safety standards using new heat-resistant and non-sticking plastic materials.	10,000	Q2 2024
(2) Develop new eco-friendly plastic materials	Add plant waste, wood waste, agricultural waste, <i>etc.</i> or adding PCR (Post-Consumer Recycled) materials to existing materials including PP (polypropylene) and PE (polyethylene) to reduce the consumption of plastics without affecting original product characteristics.	5,000	Q3 2024
(3) Surface hydrophilic treatment technology for metal materials	A special surface modification technology is applied to the surface of the metal material, so that the paint can closely adhere to the metal surface, to replace the existing sandblasting process.	10,000	Q3 2024
(4) Research and develop new non-fluorinated anti-sticking coating	Develop a non-PTFE and non-stick inorganic coating, to gradually replace the existing import coatings. This R&D project will strengthen the Company's core technology and enhance the	10,000	Q4 2024

Project Name	Content of project	Expected R&D Investments	Expected completion time
	competitiveness of its products in the future.		
	Total	35,000	

(IV) Changes to local and overseas policies and laws that impact the Company's financial operations and responsive measures

The Company is incorporated under the laws of the Cayman Islands, and primarily operates in Republic of China and the People's Republic of China; The financial service is the main economic activity in the Cayman Islands; The Republic of China is an area where the statutes and regulations are very transparent, and the judicial system is complete; The People's Republic of China is a member of ASEAN, and in recent years has slowly opened its economy, and to ensure greater internationalization, has sought international harmonization of its legal and regulatory environment, with greater transparency, while in recent years food safety and intellectual property rights and consumer protection have been the cause for greater regulation with more clarity and specificity. Always adhering to the business philosophy of integrity, the Company has been continuously implementing legal compliance; and it has adjusted, where necessary, its products, systems, and operating procedures to be in line with legal and regulatory changes. This is done so as to ensure compliance with updates to laws and regulations in the People's Republic of China. The Company and its subsidiaries implement their business in accordance with critical domestic policies, and the laws and regulations of the countries in which subsidiaries are located. They pay attention to important policy trends and to changes in both domestic and overseas laws. In case any changes occur, relevant consultation occurs with lawyers, accountants, or related responsible authorities. These parties might also be commissioned to assess and plan responsive measures, in order to effect a timely response to changes in the market environment and to undertake responsive measures. In the most recent year and through the date of publication of this Annual Report, there was no significant impact on the Company's finances or business due to changes in important policies and laws in the Cayman Islands, Taiwan, or the People's Republic of China.

(V) Impact of Changes in Technology (including information security risks) and Industry on Corporate Finance and Business, and Responsive Measures

In the most recent year and as of the date of this annual report, there have been no major changes in technology or the industry affecting the Company's financial or business operations that have a significant impact thereon. The Company is in the baking industry which is a mature business serving consumer needs, and foods are a natural market, which in principle are not greatly affected by changes in the economy. Besides, the manufacturing technique are of traditional craft which has seen rare changes in technology. The industrial supply chain is mature as well, so there are no significant changes. Besides meeting evolving consumer trends through flexible planning and marketing strategies, the Company's R&D team invests in product quality enhancement and endeavors to improve manufacturing, while concomitantly engaging in close dialogue with clients, to stay abreast of emerging trends and maintain market competitiveness. Meanwhile, strategic alliances with upstream and downstream businesses in the same industry as the Company are evaluated regularly to mitigate impact on the Company from technology development and supply chain adjustments caused by customer demand.

Considering that companies' routine operations are relying on the information system increasingly, and IT technologies are evolving all the times, the incidents about hackers' invasion into enterprises' information systems are constantly emerging, it is important for enterprises to learn how to evade the cyber security risk for the time being. Therefore, the Company has established the "Information Security Committee" dedicated to directing

preparation of the SOPs and decision making related to information security and handling the overall planning about coordination and promotion of cyber security matters. The Committee convener is served by the Group's Management Center Director. Meanwhile, related personnel are designated to serve as various group members engaged in education and training, research on the implementation of new anti-virus software and firewall, organization of periodic Information Security Committee meetings for review, and report the cyber security implementation status to the Board of Directors, in order to mitigate the loss to be caused to the Company by the cyber security risk.

(VI) Changes to corporate image that impact the company's risk management and responsive measures

As of the date of this annual report, there has been no change to the Company's corporate image that has resulted in any corporate image crisis, and therefore this provision does not apply.

(VII) The expected benefits and possible risks to engaging in mergers and acquisitions (M&A) and responsive measures

The Company does not have any plan to engage in mergers and acquisitions as of the printing date of this annual report. Therefore, this provision is not applicable.

(VIII) The Expected Benefits and Possible Risks to Expand Facilities and responsive measures

The Company does not have any plan to expand facilities as of the printing date of this annual report. Therefore, this provision is not applicable.

(IX) Risks resulting from consolidation of purchasing or sales operations and responsive measures

There was no consolidation of purchasing or sales for the Company or subsidiaries in the most recent year up to the date of printing of this annual report.

(X) Impact and risks resulting from major equity transfer or replacement of Directors or shareholders holding more than 10 percent of the Company's shares, and related responsive measures

The Directors and major shareholders holding more than 10% of the shares of the Company have had no significant equity transfer or replacement affecting Company operations in the most recent year up to the publication date of this annual report.

(XI) Impact, risk, and response measures related to any change in governance rights in the company

The Company has not experienced any changes in operating rights affecting Company operations in the most recent year and as of the printing date of this annual report.

(XII) Litigation and non-litigation events: If the Company or Directors, Supervisors, General Manager, Actual Person in Charge, and major shareholders with shareholding percentage exceeding ten percent (10%) and affiliated companies who have any already decided or currently underway lawsuit, non-litigious or administrative lawsuit dispute, where the result may impact shareholder rights or materially affect the value of securities, then there shall be disclosure of the dispute, the amount thereof, the date of any lawsuit filing, the main parties thereto, and status thereof, as of the date of the publication of the Annual Report: None.

(XIII) Other material risks and responsive measures: None

VII. Other Significant Issue: None.

Chapter VIII. Special Notes

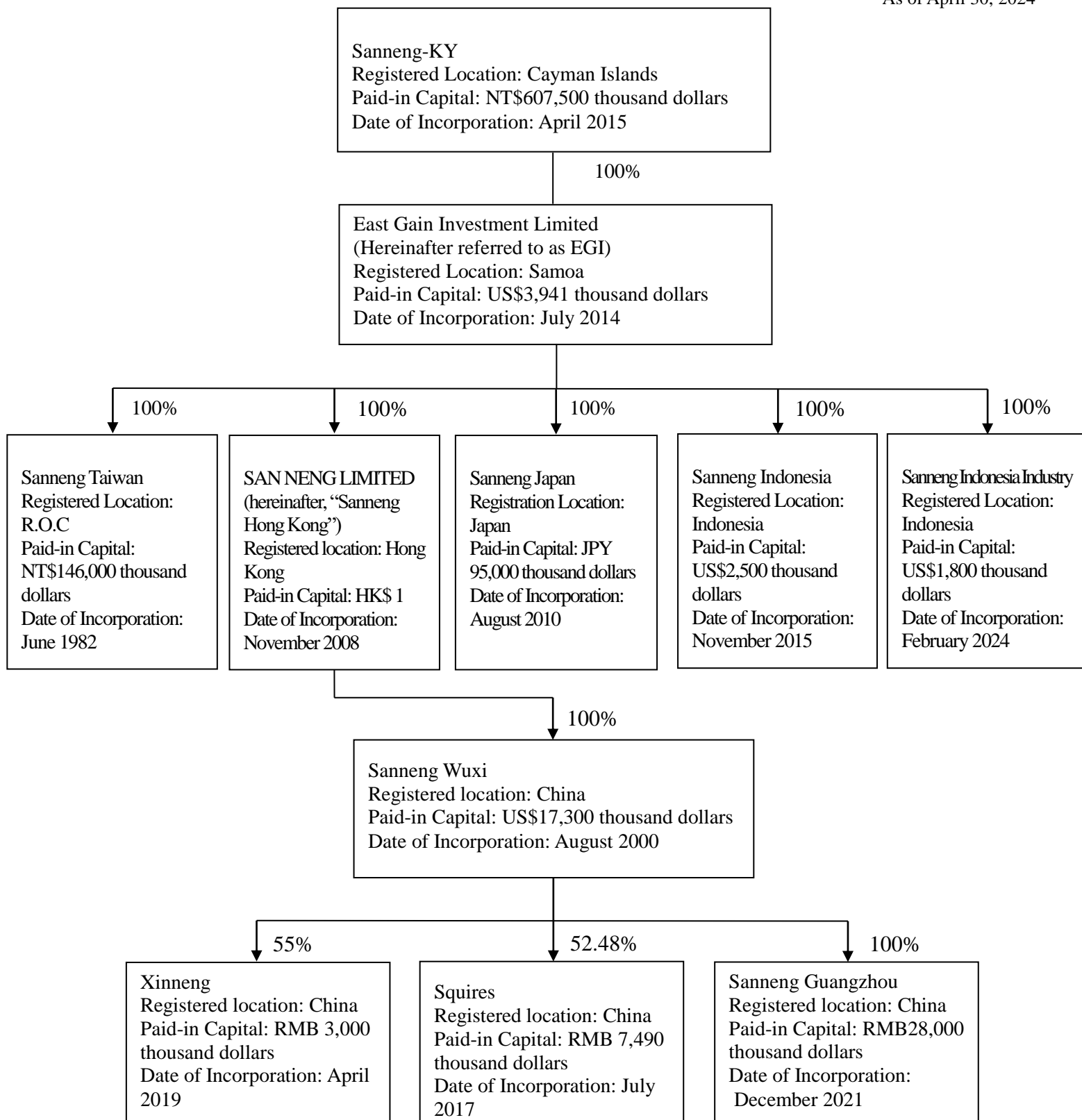
I. Information on affiliated companies:

(D) Consolidated Business Report of Affiliated Companies

1. Overview of the affiliated companies

(1) Organizational chart for affiliated companies

As of April 30, 2024





(2) Presumed to be the same shareholder information for those with control and affiliation based on Article 369 of the Company Law: None.

(3) The name, date of establishment, address, paid-in capital and main business of related party

December 31, 2023; Unit: except for those expressly stated otherwise, the rest of the units are in thousand dollars

Name	Date of establishment	Address	Paid-in capital		Main business or Product
EGI	2014/07/21	Portcullis Chambers, P.O. Box. 1225, Apia, Samoa.	USD	2,141	Holding company
Sanneng Taiwan	1982/06/02	No. 58, Gongye 8th Rd., Dali Industrial Zone, Dali Dist., Taichung City , Taiwan	TWD	146,000	Research and development, production and sales of bakeware
Sanneng Hong Kong	2008/11/24	Room 1408 14th Tak Shing House Theatre Lane 20 Des Voeux Road Central, HK.	HKD	1 dollar	Holding company
Sanneng Japan	2010/08/09	3-5-2, Chiyoda-cho, Chiyoda-ku, Tokyo, Japan 502 Burex	JPY	95,000	Sales of bakeware and food ingredients
Sanneng Indonesia	2015/11/19	Komplek Rukan Puri Mutiara, Blok BC No.10-11 Jl. Griya Utama, Sunter Agung, Jakarta 14350, Indonesia	USD	2,500	Sales of bakeware
Sanneng Wuxi	2000/08/17	No. 316 Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu, China	USD	17,300	Research and development, production and sales of bakeware
Squires	2017/07/10	No. 316 Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu, China	RMB	7,490	Sales of bakeware, food ingredients, packaging materials and cake decoration
Xinneng	2019/04/28	No. 316 Youyi North Road, Xishan Economic Development Zone, Wuxi, Jiangsu, China	RMB	3,000	Production and sales of bakeware
Sanneng Guangzhou	2021/12/24	Building 11, Phase 2, Huachuang Animation Industrial Park, Jinshan Village, Shijie Town, Panyu District, Guangzhou, Guangdong, China	RMB	28,000	Sale of bakeware, food ingredients and packaging materials

(4)The division of business operations of affiliated companies and the related business of the affiliated companies:

Name	The industries covered by the business operated	Descriptions of the mutual dealings and division of work
EGI	Holding company	Not Applicable
Sanneng Taiwan	Research and development, production and sales of bakeware	Provide the development and design for bakeware; expand the local market, provide teaching and consultant service.
Sanneng Hong Kong	Holding company	Not Applicable
Sanneng Japan	Sales of bakeware and food ingredients	Explore local market and assimilate Japanese baking new knowledge as well, to make the Company improve continuously.
Sanneng Indonesia	Sales of bakeware	Not only exploring local market, but also be the base for gradually expanding the layout of ASEAN.
Sanneng Wuxi	Research and development, production and sales of bakeware	Provide the development, design, production and sales for bakeware; expand the local market, provide teaching and consultant service.
Squires	Sales of bakeware, food ingredients, packaging materials and cake decoration	Offering online sales of bakeware, ingredients and materials, packaging materials, and cake decorating materials, further complimenting the Company's sales channels and satisfying the diverse purchasing needs from consumers
Xinneng	Production and sales of bakeware	Provide manufacturing service of baking molds to the Company's subsidiary Sanneng Wuxi
Sanneng Guangzhou	Sale of bakeware, food ingredients and packaging materials	Provide the sales for bakeware in South China; expand the local market, provide teaching and consultant service.

## (5) Information on directors, supervisors, and general managers of affiliates

December 31, 2023

Name	Title	Name or representative	Number of Shares	
			Share	Shareholding Ratio
EGI	Director	The Company Representative: Chang, Jui-Jung	2,141 thousands	100%
Sanneng Taiwan	Chairperson	Chang, Hsin-Yi	14,600 thousands	100%
	Director	Hsieh, Shun-Ho		
	Director	Tsai, Feng-Lung		
	Supervisor	Chen, Lai-Chun		
	General Manager	Chang, Hsin-Yi		
Sanneng Hong Kong	Director	EGI Representative: Chang, Jui-Jung	Note	100%
Sanneng Japan	Chairperson	Hsiao, Kai-Feng	9.5 thousands	100%
	Director	Keimine Kamiyanagi		
	Director	Chang, Chih-Hao		
	Supervisor	Chen, Lai-Chun		
	General Manager	Keimine Kamiyanagi		
Sanneng Indonesia	Chairperson	Chang, Jui-Jung	2,500 thousands	100%
	Director	Hsieh, Shun-Ho		
	Director	Ho, Chin-Hou		
	Supervisor	Hsiao, Kai-Feng		
	General Manager	Ho, Chin-Hou		
Sanneng Wuxi	Chairperson	Chang, Jui-Jung	Note	100%
	Director	Hsiao, Kai-Feng		
	Director	Chang, Chih-Hao		
	Supervisor	Chen, Lai-Chun		
	General Manager	Hsiao, Kai-Feng		
Squires	Chairperson	Chang, Chih-Hao	Note	52.48%
	Director	Hsiao, Kai-Feng		
	Director	Chiu, Chun-Jung		
	Supervisor	Hua, Wei-Qin		
	General Manager	Chang, Chih-Hao		
Xinneng	Chairperson	Chang, Chih-Hao	Note	55%
	Director	Xue, Xin-Feng		
	Director	Chang, Hsin-Yi		
	Supervisor	Hsiao, Kai-Feng		
	General Manager	Xue, Xin-Feng		
Sanneng Guangzhou	Chairperson	Chang, Chih-Hao	Note	100%
	Director	Hsiao, Kai-Feng		
	Director	Hua, Wei-Qin		
	Supervisor	Chang, Hsin-Yi		
	General Manager	Lin, Su-Yu		

Note: This is a limited company and has no shares.

## 2.Operational Overview of Affiliated Companies

### (1)Financial conditions and results of operations of affiliated companies

December 31, 2023, Unit: Thousands

Corporation	Paid-in capital	Total assets	Total liabilities	Net worth	Sales revenue	Operation income (loss)	Net income (loss) (After tax)	Earnings (losses) per share (dollar)
EGI	175,296	1,661,471	-	1,661,471	-	(3)	212,251	99.14
Sanneng Taiwan	146,000	676,117	215,062	461,055	361,823	4,856	3,538	0.24
Sanneng Hong Kong	-	1,226,777	32,708	1,194,069	-	(3)	206,094	Note
Sanneng Japan	27,154	38,449	46,656	(8,207)	82,147	1,743	2,271	239.09
Sanneng Indonesia	80,895	24,827	8,747	16,080	35,324	(751)	(399)	(0.16)
Sanneng Wuxi	541,062	1,421,497	194,795	1,226,702	1,438,249	254,824	241,773	Note
Squires	32,748	31,429	23,895	7,534	114,567	(742)	3,722	Note
Xinneng	13,563	23,626	5,468	18,158	42,479	3,933	2,453	Note
Sanneng Guangzhou	121,632	140,979	31,833	109,146	256,417	(8,203)	(7,154)	Note

Note: This is a limited company and has no shares.

(2)Consolidated financial statements of affiliated companies

Companies that should be included in the consolidated financial statements of the affiliated companies are the same as those listed in the consolidated financial statements of the parent company. The relevant information of affiliated companies' consolidated financial statements is already disclosed in the consolidated financial statements of the parent company. Hence, the consolidated financial statements of the affiliates are therefore no longer prepared. Please refer to pages 199 to 258.

(3)Report of the affiliated companies: None.

II. Organization of the Latest Private Placement Securities as of the Date of Printing of the Annual Report: None.

III. Holding or disposal of the Company's shares by its subsidiaries of the latest year and up to the date of printing of the Annual Report: None.

IV. Other matters requiring supplementary information

(I)The Company's Articles of Incorporation and any variation from the provisions governing the protection of shareholders' rights in Taiwan:

As a result of the fact that the laws of the Cayman Islands and the laws of the Republic of China were inconsistent with the Taiwan Stock Exchange amended its "Foreign Listers' Checklist for Protecting the Interests of the Shareholders of the Registered Country" (hereafter, the "Checklist for Protection of Shareholders' Equity"), which could not be directly applicable to the Company as is, so the chart below lists the differences in the Company's existing Articles of Incorporation (hereafter, the Articles of Incorporation), which as a result of the provisions of Cayman Islands law are at variance with the Taiwan provisions for protection of shareholders' equity, and the provisions of the Articles of Incorporation of the Company.

Major items of Shareholder rights' protection	Articles of Incorporation provisions and cause of any deviations or divergence
The meaning of "Special Resolutions": Refers to when there is a shareholders meeting at which two-thirds of the Company's outstanding shares are represented, and half of the shareholders in attendance agree thereon. In the event the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a simple majority of the outstanding shares of the company.	In accordance with TWSE issuance Shang Tzu No. 0991701319 of April 13, 2010 by the Taiwan Stock Exchange, and in accordance with Articles 39 and 2(1) of the Articles of Incorporation, Special Resolutions refer to when a simple majority of the outstanding shares of the Company are represented at a shareholders meeting, with shareholders personally present, and for institutional shareholders they are represented by their duly authorized Legal Representative, or by proxy with two-thirds of the shareholder votes in favor of adoption, when in conformity with the laws of the Cayman Islands and the provisions of the Taiwan Company Act for quorums for publicly traded companies.
1. Shareholder meetings shall be conducted within the borders of the Republic of China (Taiwan). For shareholders' meetings held outside the borders of the Republic of China, the Board of Directors by resolution of shareholders by request to the competent authorities for permission for a shareholders' meeting to be	As the Company's Articles of Incorporation in the first clause of Article 31 provide: "During listing, the Company's shareholders' meetings shall be held within the borders of the Republic of China," and no exceptions are provided for, thus there is no necessity for nor guidelines governing conduct of shareholders' meetings outside the borders of the Republic of China, by authorization or approval procedures.

Major items of Shareholder rights' protection	Articles of Incorporation provisions and cause of any deviations or divergence
<p>convened after two months, and by concomitant application for approval of the Stock Exchange.</p> <p>2. Any or a plural number of shareholders of a company who have continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special meeting of shareholders. If the Board of Directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.</p> <p>3. Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer time may convene a special shareholders' meeting. The calculation of the holding period and holding number of shares shall be based on the holding at the time of share transfer suspension date.</p>	<p>Also, since the Company is duly registered and incorporated under the laws of the Cayman Islands, which do not have any competent authority responsible for approving whether a shareholders' meeting may be convened, thus pursuant to Article 32 of the Articles of Incorporation of the Company, any or a plural number of shareholders of a company who have continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special meeting of shareholders. After the Board of Directors receives said application, if within 15 days thereof no action is taken thereon to convene a Shareholders' meeting, then the shareholder lodging the application may convene the shareholders' meeting directly, and there is no need to apply for approval from the competent authorities. This is deemed to be in accordance with TWSE directive Shang Tzu No. 0991701319 of April 13, 2010 by the Taiwan Stock Exchange, and has no adverse effect on shareholder rights. Additionally, since the Company is duly registered and incorporated under the laws of the Cayman Islands, which do not have any competent authority responsible for approving whether a shareholders' meeting may be convened, thus pursuant to Article 32 of the Articles of Incorporation of the Company, any or a plural number of shareholders of a company who have continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special meeting of shareholders. After the Board of Directors receives said application, if within 15 days thereof no action is taken thereon to convene a Shareholders' meeting, then the shareholder lodging the application may convene the shareholders' meeting directly, and there is no need to apply for approval from the competent authorities. This is deemed to be in accordance with TWSE directive Shang 2 Tzu No. 1071703794 of November 11, 2018 by the Taiwan Stock Exchange, and has no adverse effect on shareholder rights.</p>
<p>A company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic</p>	<p>When a shareholder exercises their right to vote in writing or by electronic means, in accordance with the law of the Cayman Islands this is deemed to be a proxy in favor of the Chairperson of the Shareholders' meeting, and in accordance with the latter clause of Article 58 of the Company's Articles of Incorporation, said person shall exercise and cast the vote in accordance with the written or electronically conveyed instructions or contents.</p>

Major items of Shareholder rights' protection	Articles of Incorporation provisions and cause of any deviations or divergence
transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.	
When a Company holds shareholders' meetings outside the borders of the Republic of China, it shall nevertheless retain a Stock Transfer agency within the Republic of China borders to handle shareholder voting matters.	In accordance with Article 33 of the Company's Articles of Incorporation: "During listing, the Company shall retain a Stock Transfer Agency within the Republic of China to handle shareholders' meeting issues, including but not limited to voting matters." Thus, even though the Company while listed shall convene its' shareholders' meetings within the Republic of China borders, it shall nevertheless retain a Stock Transfer Agency within the Republic of China borders to handle shareholder voting matters.
<ol style="list-style-type: none"> <li>1. During the term of office of a director or supervisor, if they transfer more than one half of the shares in the company held thereby at the time of election, they shall be then discharged from their office.</li> <li>2. In the case of any of the Company's Directors or Supervisors, who after having been elected and before their inauguration into office, shall have transferred more than one half of the total number of shares of the company they hold at the time of election as such; or had transferred more than one half of the total number of shares held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then their election as a director shall be invalid.</li> </ol>	See Paragraph 4 of Article 14-2 of the Taiwan Securities Exchange Act, stating that independent directors are not subject to the provisions of the latter clause of Paragraph 1 or the provisions of Paragraph 3 of Article 197 of the Taiwan Company Act. Thus, Articles 84(2) and 84(3) of the Company's Articles of Incorporation clearly stipulate exclusion of the left field provisions mandating application to independent directors.
<ol style="list-style-type: none"> <li>1. Supervisors of a company shall be elected by the meeting of shareholders; among them at least one supervisor shall have a domestic residence within the territory of the Republic of China.</li> <li>2. The term of office of a supervisor shall not exceed three years, but they may be eligible for re-election.</li> <li>3. In case all supervisors of a company are discharged, the Board of Directors shall, within 60 days, convene a special meeting of shareholders to elect new supervisors.</li> <li>4. Supervisors shall supervise the execution of business operations of the company, and may at any time or</li> </ol>	The Company does not have supervisors, and instead has an Audit Committee; thus the provisions of this chapter regarding supervisors need not be amended.

Major items of Shareholder rights' protection	Articles of Incorporation provisions and cause of any deviations or divergence
<p>from time to time investigate the business and financial conditions of the company, inspect accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the meeting of shareholders.</p> <p>6. Supervisors shall handle audits and compliance, and may represent the Company to retain CPAs or legal counsel for audits.</p> <p>7. Supervisors of a company may attend the meeting of the Board of Directors to give their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice thereof, to the Board of Directors or the director, as the case may be, to cease and desist from such acts.</p> <p>8. Supervisors may each exercise the supervision power individually.</p> <p>9. A supervisor shall not concurrently be a director, a managerial officer or other staff/employee of the company.</p>	
<p>1. Any shareholder who has 3% of the outstanding shares in the Company may submit a written request to a supervisor to institute a lawsuit against a Director(s), and the court of first instance shall be the Taiwan Taipei District Court.</p> <p>2. Thirty days after a shareholder submits such a demand, if the supervisor does not institute legal proceedings, the shareholder may institute a lawsuit as relator on behalf of the company, and the court of first instance shall be the Taiwan Taipei District Court.</p>	<p>The Company does not have a supervisor, but in accordance with the provisions of Subparagraph 3 of Paragraph 4 of Article 14 of the Taiwan Stock Exchange Act, and pursuant to the directive of March 1, 2011, of the Ministry of Economic Affairs directive Economic Business Tzu. No. 10000533380. As the portions of the left field provide that an independent director shall apply in lieu of a supervisor; thus, the Articles of Incorporation are compliant and any qualified shareholder may apply to an independent director on the Audit Committee with such demands.</p>
<p>In the case of an institutional shareholder, its authorized representative may also be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company.</p>	<p>The Company does not have a supervisor, and thus there cannot arise the circumstance where a representative would concurrently serve as a director and a supervisor.</p>



(II)The following is the disclosure of the Regulations pursuant to Article 16 of the Company's "Code of Business Conduct and Ethics for the Board of Directors and Managers:

### **Chapter 1 General**

**Article 1: Purpose of and basis for adoption**

The Code of Ethical Conduct is duly established to pursue the greatest interest of the Company and devote to sustainable development, and for stakeholders to better understand the content of ethical standards and codes of conduct that have been complied with by directors, managers and all employees in the execution of their duties.

**Article 2: Applicable scope**

As used in the Code, the term of art “managers” refers to the Company's general managers or their equivalents, assistant general managers or their equivalents, vice assistant general managers or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company.

### **Chapter 2 Operating Procedures**

**Article 3: Discharging the duty of care**

Directors and Managers shall comply with the law and provisions of this Code and shall lead by example in promoting the implementation of this Code and pursuing the highest ethical and behavioral standards.

Directors and Managers shall have a duty of care during the performance of their duties; furthermore, they shall not harm the rights and interests of the Company for the benefit of any specific individual or organization, but shall aim to pursue the Company’s overall interest, and all shareholders shall be treated equally during the exercise of their duties by the aforesaid.

**Article 4: Prevention of conflicts of interest**

Where the motions/issues tabled in Board of Directors’ meetings are related to the interest of a Director which may pose a risk to the interest of the Company, the said Director shall recuse himself from voting; furthermore, he shall not represent other Directors in the exercise of their voting rights.

Directors and Managers who enter into sale and purchase deals or loans or engage in other legal actions for themselves or on behalf of others should reveal the relevant items and issues and provide explanations to the Board of Directors.

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, as for example when a director, supervisor, or managerial officer of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the second degree of kinship. The company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a director, supervisor, or managerial officer works. The company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.

**Article 5: Prohibition of Business Competition**

Directors engaging in businesses which are in competition with those of the Company shall give prior report to the Shareholders’ meeting and obtain approval in accordance with the provisions of the Company Law. Managers engaging in businesses which are in

competition with those of the Company shall give prior report to the Board of Directors and obtain prior approval in accordance with the provisions of the Company Law.

Article 6: Minimizing incentives to pursue personal gain

The company shall prevent its directors or managerial officers from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors and managers to maximize the reasonable and proper benefits that can be obtained by the Company.

Article 7: Fair trade

Directors and managers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 8: Insider Trading

Directors and Managers who in the course of work have access to information which may have a serious impact on the Company's share price, shall maintain strict confidentiality of the said information prior to its public disclosure in accordance with the Securities Trading Act; utilization of the said information for insider trading is strictly prohibited.

Article 9: Duty of Confidentiality

Directors and Managers who in the course of work have access to confidential information shall maintain the same. Save where the said confidential information has been publicly disclosed or provided on a need-to-know basis in the execution of work, they shall not disclose the said confidential information to anyone or use the same for any non work-related purposes. The duty of confidentiality shall continue to apply after the termination of the service of Directors, Supervisors and Managers.

Information which should be kept confidential includes all staff and customer information, inventions, trade secrets, technical information, product designs, specialized manufacturing knowledge, financial and accounting information, intellectual property rights and other relevant undisclosed information which may be useful to competitors or which may cause harm to the Company or its customers upon the disclosure of the same.

Article 10: Safeguarding and proper use of company assets

All directors and managers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company's profitability.

Article 11: Legal compliance

Directors and Managers shall comply with the law and the relevant Company policies and rules.

Article 12: Political donations and activities

Directors and Managers shall in every way avoid influencing company staff in respect of political donations, supporting specific political parties and/or candidates or their participation in other political activities.

Article 13: Encouraging reporting on illegal or unethical activities

The company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, manager, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, the company shall establish a concrete whistle-blowing system and make employees aware that the company will use its best efforts to ensure the safety of informants and protect

them from reprisals.

Article 14: Violations

Directors and Managers shall refer all violations to the Board of Directors.

Article 15: Procedures for exemption

Directors and Managers may be exempted from subjection to the regulations as stated herein, if they have valid reasons, subject to approval by the Board. The code of ethical conduct adopted by a company must require that any exemption for directors, supervisors, or managers from compliance with the code be adopted by a resolution of the Board of Directors, and that information on the date on which the Board of Directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

### **Chapter 3      Supplementary Provisions**

Article 16: Enforcement and Method of disclosure

The Code shall be implemented after the Board of Directors grants the approval. The Board of Directors' resolution shall be submitted to the Supervisors for reference and submitted to the shareholders' meeting. A TWSE or TPEX listed company shall disclose the code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses, and on the MOPS.

(III)The following is the disclosure of the regulations pursuant to Article 25 of the Company's "Ethical Corporate Management Best Practice Principles":

#### **Chapter 1      General**

Article 1: Purpose and scope

These Principles are adopted to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.

The ethical corporate management best practice principles applicable to its business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("hereafter, the group and organization").

#### **Chapter 2      Operating Procedures**

Article 2: Prevention of unethical conduct

When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the Company, or persons having substantial control over it ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Article 3: Pattern of interests

"Interests" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any

name. But interests or benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded therefrom.

Article 4: Compliance with laws and regulations

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, 2 TWSE/GTSM-listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5: Policy

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith. After being approved by the Board of Directors, the Company shall establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6: Prevention program

The Company shall in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.

When establishing the prevention program, the Company shall comply with relevant laws and regulations of the territory where the Company and its Business Group are operating.

In the course of developing the prevention programs, the Company is advised to negotiate and communicate with staff, labor union members, important trading counterparties, or other stakeholders.

Article 7: Scope of prevention program

When establishing the prevention program, the Company shall establish assessment mechanism on the risk of unethical conducts. and routinely analyze business activities within their business scope which may be at a higher risk of being involved in an unethical conduct, and devise prevention plans accordingly. The appropriateness and effectiveness of the said prevention programs shall be routinely reviewed.

For listed and OTC companies, it is advised to refer to general standards accepted domestically and internationally to devise a prevention program. The prevention program established by the Company shall at least include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights and interests, health and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or sale of products and services.

Article 8: Undertaking and enforcement

The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company and its business group shall clearly specify in their rules, external documents, and Company website the ethical corporate management policies and the

commitment by the Board of Directors and the senior executives for rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.

**Article 9: Ethical engagement in commercial activities**

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with the agents, suppliers, clients or other trade parties in business interactions, the Company should include in such contracts provisions demanding ethical corporate management policy compliance and that in the event the trading counterparties are suspected of involving in unethical conduct, the Company may at any time terminate or cancel the contracts.

**Article 10: Prevention of benefits offering and accepting**

When conducting business, the Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

**Article 11: Prevention of unauthorized political donations**

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

**Article 12: Prevention of improper donations and sponsorship**

When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

**Article 13: Prevention of unreasonable presents, hospitality or other improper benefits**

The Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.

**Article 14: Prevention of Infringement of Intellectual Property Rights**

The Company and its directors, supervisors, managers, employees, retained entities, and those under substantial control shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

**Article 15: Unfair Competition Prevention**

The Company shall conduct business activities based on related laws governing business competition and shall not engage in unfair practices, including price fixing, bid rigging, production and quotas restricting or sharing customers, suppliers, operation regions and types of business for market sharing and dividing.

Article 16: Preventing the damage of the products or services

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its Directors, supervisors, managers, employees, retained entities, and those under substantial control shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

Article 17: Organization and Responsibility

The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a corporate governance unit and avail itself of adequate resources and staff itself with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, and based on the assessment results, adopting programs to prevent unethical conduct, as well as setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18: Compliance with laws and regulations for conduct of business

The Company's Directors, supervisors, managers, employees, retained entities, and those under substantial control shall comply with laws and regulations and the prevention programs when conducting business.

Article 19: Prevention of conflicts of interest

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer

appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given Board of Directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.

The directors, supervisors, managers, employees, retained entities, and those under substantial control shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

**Article 20: Accounting and internal control**

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of the Company shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the Board of Directors.

**Article 21: Operating procedures and guidelines of conduct**

The Company shall establish operational procedures and guidelines in accordance hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interest and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

**Article 22: Training and performance appraisal**

The Company's Chairperson, general manager, or top management of the Company shall periodically convey the importance of ethical values to the directors, employees and retained entities.

The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, retained entities, and those under substantial control and invite the companies' commercial transaction counterparties so they understand the

companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

**Article 23: Unethical conduct reporting system**

The Company shall establish and implement a solid reporting system, which shall cover at least the following matters:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow insiders and outsiders to submit reports.
2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any violation involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
3. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.
4. Documentation and preservation of case acceptance, investigation processes, investigation results and relevant documents.
5. Confidentiality of the identity of whistle-blowers and the content of reported cases. Reporting from anonymous whistle-blowers is accepted.
6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
7. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in writing.

**Article 24: Punishment and Complaint System**

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

**Article 25: Information Disclosure**

The Company shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on their company websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

**Article 26: Review and improvement in ethical corporate management policies and measures**

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

### **Chapter 3 Supplementary Provisions**

**Article 27: Implementation**



The ethical corporate management best practice principles of the Company shall be implemented after the Board of Directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

The Company has appointed independent directors; when the ethical corporate management best practice principles are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.

The Company has established an audit committee, the provisions regarding supervisors in these Principles shall apply mutatis mutandis to the audit committee.

(IV)The following is the disclosure of the Company's "Employee Code of Ethical Conduct" as defined in Article 12 of the Guidelines:

### **Chapter 1 General**

Article 1: Purpose of and basis for adoption

Conduct for TWSE/TPEX Listed Companies. In accordance with the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies," the Company has formulated the Employee Code of Ethical Conduct for managers and all employees to comply with ethical standards and to ensure stakeholders are more informed of the Company's ethical standards, and to ensure due fulfillment thereof.

Article 2: Definition of employees

The term "employees" in this Employee Codes of Ethical Conduct refers to the Company's managers and all employees (hereafter, the Company's employees).

### **Chapter 2 Operating Procedures**

Article 3: Prevention of conflicts of interest

The Company's employees should avoid conflicts of interest from personal interests or potential conflicts of interest with the Company's overall interests, and shall abide by the following principles:

8. The Company shall handle its official business in an objective and efficient manner.

9. A person who is required to be avoided, includes oneself, a spouse, parents, children, or relatives within the second degree of kinship deemed to obtain to any improper benefit.

10. One with a potential conflict of interest with the Company shall proactively disclose the same.

11. Other conflicts of interest shall also be avoided.

The Company shall pay attention to the aforesaid employees' affiliated enterprise funds, or provide guarantees, material assets transactions, and purchase (sales) of goods thereto.

The Company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for the Company's employees to voluntarily explain whether there is any potential conflict between them and the Company.

Article 4: Minimizing incentives to pursue personal gain

The company shall prevent its' employees from engaging in any of the following activities:

1. Seeking an opportunity to pursue personal gain by using company property or information, or taking advantage of their positions.

2. Obtaining personal gain by using company property or information, or taking advantage of their positions.
3. Competition with the Company.

When the Company has an opportunity for profit, it is the responsibility of the employees to maximize the reasonable and proper interests and benefits which can be so obtained by the Company.

Article 5: Duty of Confidentiality

The employees of the Company shall be bound by the obligation and duty to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or its suppliers and customers.

Article 6: Fair trade

The Company's employees shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

The Company's personnel shall not act on behalf of their personal, company or a third-party interest in the course of performing their duties make any request, offer, delivery or receive any form of gifts, entertainment, rebates, bribery or other improper benefits. However, if the gifts or solicitation are proper social etiquette or otherwise allowed by the Company, this restriction shall not apply.

Article 7: Safeguarding and proper use of company assets

All employees have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of assets will directly impact the Company's profitability.

Article 8: Legal compliance

The Company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations, and bylaws.

Article 9: Encouraging reporting on illegal or unethical activities

The Company shall promote ethical concepts and practices and encourage employees to report to independent directors, managers, internal audit supervisors, or other appropriate personnel when there are suspected violations or discovery of violations of the code of conduct. To encourage employees to report illegal conduct, the company shall establish a concrete whistle-blowing system and make employees aware that the company will use its best efforts to ensure the safety of informants and protect them from reprisals.

Article 10: Disciplinary measures

When the Company's employees violate the code of ethical conduct, the Company shall handle the matter in accordance with the disciplinary measures prescribed in the code, and shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The Company shall establish a relevant complaint system to provide the violator with remedies.

Article 11: Procedures for exemption

Exemptions and waivers from the code of ethical conduct adopted by the Company require adoption by a resolution of the Board of Directors, and information on the date on which the Board of Directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption are to be disclosed without delay on the MOPS, in order that shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or capricious exemption from the code, and to safeguard the interests of the

Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 12: Method of disclosure

A publicly traded company shall disclose the code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.

### **Chapter 3 Supplementary Provisions**

Article 13: Enforcement

The code of ethical conduct shall enter into force after it has been adopted by the Board of Directors, and when submitted to the shareholders meeting, or upon amendment, *mutatis mutandis*.

(V)The following is the disclosure of the Company's "Procedures for Ethical Management and Guidelines for Conduct" as defined in Article 16 of the Guidelines

### **Chapter 1 General**

Article 1: Purpose of adoption and scope of application

This Company engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the applicable laws and regulations of the places where this Company and its business groups and organizations operate, with a view to providing all personnel of this Company with clear directions for the performance of their duties.

The scope of application of these Procedures and Guidelines includes the subsidiaries of this Company, any incorporated foundation in which this Company's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Company.

Article 2: Applicable subjects

For the purposes of these Procedures and Guidelines, the term "personnel of this Company" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control, of this Company or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of this Company through a third party will be presumed to be an act by the personnel of this Company.

### **Chapter 2 Operating Procedures**

Article 3: Unethical conduct

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of this Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or other interested parties.

Article 4: Types of benefits

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

Article 5: Responsible unit and duties

The Company shall designate the CEO Office as the solely responsible unit (hereinafter, "responsible unit") under the Board of Directors, where sufficient resources and appropriate personnel shall be available to the unit, and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the Board of Directors (at least once a year):

1. Assisting in incorporating ethics and moral values into this Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, and based on the assessment results, adopting programs to prevent unethical conduct, as well as setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the Board of Directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures
7. The Company shall compile documented information on the ethical management policy, compliance statement, implement commitment and execution status and retain said information properly.

Article 6: Prohibition against providing or accepting improper benefits

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of this Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

1. The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
2. The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
3. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
4. Attendance at folk festivals that are open to and invite the attendance of the general

public.

5. Rewards, emergency assistance, condolence payments, or honorariums from the management.
6. Money, property, or other benefits with a market value of NT\$6,000 or less offered to or accepted from a person other than relatives or friends; or gifts of property with a total market value of NT\$20,000 or less given by another party to the majority of the personnel of this Company, provided that the total market value of the property offered to the same counterparty or coming from the same source within a single fiscal year shall be limited to NT\$50,000.
7. Property with a market value of NT\$6,000 or less received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative.
8. Other conduct that complies with the rules of this Company.

Article 7: Procedures for handling the acceptance of improper benefits

Except under any of the circumstances set forth in the preceding article, when any personnel of this Company are provided with or are promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of this Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
2. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of this Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible unit for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of this Company's personnel," as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidiaries (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances in which a decision regarding this Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of this Company shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity, or handled in another appropriate manner. The proposal shall be implemented after being reported and approved.

Article 8: Prohibition of and handling procedure for facilitating payments

This Company shall neither provide nor promise any facilitating payment.

If any personnel of this Company provides or promises a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

Article 9: Procedures for handling political contributions

Political contributions by this Company shall be made in accordance with the following provisions, reported to the supervisor in charge for approval, and a notification given to the responsible unit, and when the amount of a contribution is NT\$300,000 or more, it shall be made only after being reported to and approved by the board of directors:

1. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
2. A written record of the decision-making process shall be kept.
3. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
4. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of this Company with the related government agencies shall be avoided.

Article 10: Procedures for handling charitable donations or sponsorships

Charitable donations or sponsorships by this Company shall be provided in accordance with the following provisions and reported to the supervisor in charge for approval, and a notification shall be given to the responsible unit. When the amount is NT\$4,000,000 or more, the donation or sponsorship shall be provided only after it has been submitted for adoption by the board of directors:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where this Company is doing business.
2. A written record of the decision making process shall be kept.
3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of this Company's commercial dealings or a party with which any personnel of this Company has a relationship of interest.
5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

Article 11: Recusal

When a director , supervisor, officer or other stakeholder of this Corporation attending or present at a board meeting, or the juristic person represented thereby, has a stake in a matter under discussion in the meeting , that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of this Corporation would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

If in the course of conducting company business, any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper

instructions.

No personnel of this Corporation may use company resources on commercial activities other than those of this Corporation, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of this Corporation.

**Article 12: Special unit in charge of confidentiality regime and its responsibilities**

This Company shall set up a special unit charged with formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of this Company's trade secrets, trademarks, patents, works and other intellectual properties and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of this Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of this Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of this Company unrelated to their individual duties.

**Article 13: Prohibition against unfair competition**

This Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

**Article 14: Prevention of damage caused by products and services to stakeholders**

This Company shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Company to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

This Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Where there are media reports, or sufficient facts to determine, that this Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, this Company shall, within 7 days, recall those products or suspend the services, verify the facts and present a review and improvement plan.

The responsible unit of this Company shall report the event as in the preceding paragraph, actions taken, and subsequent reviews and corrective measures taken to the board of directors.

**Article 15: Prohibition against insider trading and non-disclosure agreement**

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

Any organization or person outside of this Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by this Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of this Company acquired as a result, and that they may not use such information without the prior consent of this Company.

**Article 16: Compliance and declaration of ethical management policy**

The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company shall disclose its ethical corporate management policies in internal regulations, annual reports, on the Company's website, or via other announcement methods. The ethical corporate management policies shall be announced at an appropriate time at product launches, investor conferences, and other public events so that suppliers, customers, and other business related organizations and personnel can clearly understand the Company's ethical management concept and regulations.

**Article 17: Ethical management evaluation prior to development of commercial relationships**

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, this Company shall evaluate the legality and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When this Company carries out the evaluation under the preceding paragraph, it may adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters, in order to gain a comprehensive knowledge of its ethical management:

1. The enterprise's nationality, location of business operations, organizational structure, and management policy, and place where it will make payment.
2. Whether the enterprise has adopted an ethical management policy, and the status of its implementation.
3. Whether enterprise's business operations are located in a country with a high risk of corruption.
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery.
5. The long-term business condition and degree of goodwill of the enterprise.
6. Consultation with the enterprise's business partners on their opinion of the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

**Article 18: Statement of ethical management policy to counterparties in commercial dealings**

Any personnel of this Company, when engaging in commercial activities, shall make a statement to the trading counterparty about this Company's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

**Article 19: Avoidance of commercial dealings with unethical operators**

All personnel of this Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement this Company's ethical management policy.

**Article 20: Stipulation of terms of ethical management in contracts**

Before entering into a contract with another party, this Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall make observance of the ethical management policy of this Company part of the terms and conditions of the contract, stipulating at the least the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's



identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim from the other party 100 times of the contract price as damages, and may also deduct the full amount of the damages from the contract price payable.

2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

**Article 21: Handling of unethical conduct by personnel of the company**

The Company encourages internal and external personnel to report dishonest or inappropriate behavior. A reward of no more than NT\$10,000 shall be given to the whistleblower based on the severity of the reported violations. If internal personnel falsely report violations or make malicious accusations, they shall receive disciplinary actions. In severe cases, the person may be dismissed.

The Company has established and announced an internal independent mailbox, hotline, or commissioned other external independent organizations on the Company website and internal website to provide whistle-blowing mailbox and hotline for the Company's internal and external personnel. A whistleblower shall at least furnish the following information:

1. The whistleblower's name and I.D. number, or the whistleblower may choose to be anonymous, and an address, telephone number and e-mail address where he/she can be reached.
2. The informed party's name or other information sufficient to distinguish its identifying features.
3. Specific facts available for investigation.

The Company's personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.

The Company's responsible unit shall handle the whistle-blowing cases according to the following procedures: The responsible unit of this Company shall observe the following procedure:

1. Reported violations that involve ordinary employees shall be reported to the department supervisor. Reported violations that involve directors or senior management shall be reported to the independent directors or supervisors.
2. The responsible unit of the Company and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related departments.
3. If a person being reported is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report the case to the competent authority, refer the case to the judicial authority, or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
4. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of litigation in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.

5. If the reported violations have been verified, the Company's related units shall be instructed to discuss relevant internal control systems and operating procedures, and propose improvement measures to ensure that the same behavior is not repeated.
6. The Company's responsible unit shall report the violations, measures, and follow-up discussions and improvement measures to the Board of Directors

**Article 22: Actions upon event of unethical conduct by others towards this Company**

If any personnel of this Company discovers that another party has engaged in unethical conduct towards this Company, and such unethical conduct involves alleged illegality, this Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, this Company shall additionally notify the governmental anti-corruption agency.

**Article 23: Internal awareness sessions and establishment of a system for rewards, penalties, and complaints, and related disciplinary measures**

The responsible unit of this Company shall organize 1 awareness session each year and arrange for the chairperson, general manager, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.

This Company shall link ethical management to employee performance evaluations and human resources policy, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of this Company seriously violates ethical conduct, this Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of this Company.

This Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

### **Chapter 3 Supplementary Provisions**

**Article 24: Enforcement**

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor and reported to the shareholders meeting.

When these Procedures and Guidelines are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.

**Chapter IX. Any Events in the Most Recent Fiscal Year up to the Publication of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.**

**San Neng Group Holdings Co., Ltd. and  
Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
San Neng Group Holdings Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of San Neng Group Holdings Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information (collectively referred to as the “consolidated financial statements”).

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter - Recognition of Revenue from Specific Customers

The Group has a large number of customers, among which the operating revenue fluctuation of specific clients outperforms the average level of the Group's overall operating revenue variation. Besides, the accounts receivable has instances of longer overdue periods, which resulted in a significant impact on the financial performance of the Group. Therefore, we deemed the validity and occurrence of sales revenue from the specific customers as a key audit matter. The revenue recognition accounting policy is disclosed in Note 4(k) to the consolidated financial statements.

We performed the following audit procedures in response to revenue recognition from specific customers:

1. We obtained an understanding of the design and implementation of the internal controls related to the recognition of sales revenue, and we tested the internal controls related to the validity and occurrence of sales revenue and confirmed the effectiveness of the Group's internal control over sales revenue.
2. We selected samples from sales transactions of the abovementioned specific customers, and we reviewed the shipping documents and subsequent collections and confirmed the validity and occurrence of sales revenue.
3. We evaluated the reasonableness of the changes in sales revenue, gross profit margin, trade receivables turnover rate in days and credit terms of the abovementioned specific customers from the previous year to the current year.

**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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Li-Wei Liu and Jui-Hsuan Ho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2024

#### Notice to Readers

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

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

# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 335,199	15	\$ 297,331	13
Financial assets at amortized cost - current (Notes 4, 7 and 28)	249,363	12	287,402	13
Notes receivable (Notes 4, 8 and 19)	12,283	1	15,515	1
Trade receivables (Notes 4, 8 and 19)	198,008	9	205,001	9
Trade receivables from related parties (Notes 4, 19 and 27)	4,679	-	2,250	-
Other receivables (Notes 4 and 8)	22,670	1	14,253	1
Inventories (Notes 4 and 9)	291,007	13	280,882	13
Prepayments (Note 14)	46,629	2	22,689	1
Total current assets	<u>1,159,838</u>	<u>53</u>	<u>1,125,323</u>	<u>51</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at amortized cost - non-current (Notes 4 and 7)	160,099	7	176,320	8
Property, plant and equipment (Notes 4, 11 and 28)	818,572	37	859,953	38
Right-of-use assets (Notes 4 and 12)	19,627	1	21,293	1
Other intangible assets (Notes 4 and 13)	2,957	-	3,271	-
Deferred tax assets (Notes 4 and 21)	12,893	1	16,366	1
Other non-current assets (Notes 4 and 14)	28,767	1	18,044	1
Total non-current assets	<u>1,042,915</u>	<u>47</u>	<u>1,095,247</u>	<u>49</u>
<b>TOTAL</b>	<u>\$ 2,202,753</u>	<u>100</u>	<u>\$ 2,220,570</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 59,978	3	\$ 81,294	4
Contract liabilities (Notes 4 and 19)	17,265	1	17,711	1
Trade payables	99,834	4	108,115	5
Trade payables to related parties (Note 27)	1,191	-	1,086	-
Other payables (Notes 16 and 24)	168,397	8	164,354	7
Current tax liabilities (Notes 4 and 21)	32,275	1	31,840	1
Lease liabilities - current (Notes 4 and 12)	1,711	-	3,024	-
Current portion of long-term borrowings (Notes 15 and 28)	17,398	1	17,123	1
Total current liabilities	<u>398,049</u>	<u>18</u>	<u>424,547</u>	<u>19</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 15 and 28)	79,434	4	96,784	4
Deferred tax liabilities (Notes 4 and 21)	10,947	-	11,629	1
Lease liabilities - non-current (Notes 4 and 12)	-	-	17	-
Other non-current liabilities (Note 16)	519	-	970	-
Total non-current liabilities	<u>90,900</u>	<u>4</u>	<u>109,400</u>	<u>5</u>
Total liabilities	<u>488,949</u>	<u>22</u>	<u>533,947</u>	<u>24</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 18)</b>				
Share capital - ordinary shares	607,500	28	607,500	28
Capital surplus	648,815	29	648,815	29
Retained earnings	583,071	26	528,966	24
Other equity	(137,333)	(6)	(108,344)	(5)
Total equity attributable to owners of the Company	1,702,053	77	1,676,937	76
<b>NON-CONTROLLING INTERESTS (Notes 4 and 18)</b>	<u>11,751</u>	<u>1</u>	<u>9,686</u>	<u>-</u>
Total equity	<u>1,713,804</u>	<u>78</u>	<u>1,686,623</u>	<u>76</u>
<b>TOTAL</b>	<u>\$ 2,202,753</u>	<u>100</u>	<u>\$ 2,220,570</u>	<u>100</u>

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



# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 19 and 27)	\$ 1,905,839	100	\$ 1,861,962	100
OPERATING COSTS				
Cost of goods sold (Notes 9, 20 and 27)	<u>(1,168,835)</u>	<u>(62)</u>	<u>(1,186,860)</u>	<u>(64)</u>
GROSS PROFIT	<u>737,004</u>	<u>38</u>	<u>675,102</u>	<u>36</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	(251,343)	(13)	(241,780)	(13)
General and administrative expenses	(185,163)	(10)	(152,457)	(8)
Research and development expenses	(85,148)	(4)	(87,452)	(5)
Expected credit gain (Notes 4 and 8)	<u>5,167</u>	<u>-</u>	<u>1,724</u>	<u>-</u>
Total operating expenses	<u>(516,487)</u>	<u>(27)</u>	<u>(479,965)</u>	<u>(26)</u>
PROFIT FROM OPERATIONS	<u>220,517</u>	<u>11</u>	<u>195,137</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 20)				
Interest income	16,775	1	14,811	1
Other income	20,392	1	9,928	1
Other gains and losses	1,728	-	(11,378)	(1)
Finance costs	<u>(4,251)</u>	<u>-</u>	<u>(3,890)</u>	<u>-</u>
Total non-operating income and expenses	<u>34,644</u>	<u>2</u>	<u>9,471</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	255,161	13	204,608	11
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(76,684)</u>	<u>(4)</u>	<u>(59,036)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>178,477</u>	<u>9</u>	<u>145,572</u>	<u>8</u>

(Continued)

# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (29,200)	(1)	\$ 20,233	1
Other comprehensive income (loss) for the year, net of income tax	<u>(29,200)</u>	<u>(1)</u>	<u>20,233</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 149,277</u>	<u>8</u>	<u>\$ 165,805</u>	<u>9</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 175,605	9	\$ 147,736	8
Non-controlling interests	<u>2,872</u>	<u>-</u>	<u>(2,164)</u>	<u>-</u>
	<u>\$ 178,477</u>	<u>9</u>	<u>\$ 145,572</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 146,616	8	\$ 167,891	9
Non-controlling interests	<u>2,661</u>	<u>-</u>	<u>(2,086)</u>	<u>-</u>
	<u>\$ 149,277</u>	<u>8</u>	<u>\$ 165,805</u>	<u>9</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 2.89</u>		<u>\$ 2.43</u>	
Diluted	<u>\$ 2.87</u>		<u>\$ 2.41</u>	

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

(Concluded)

**SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings				
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2022	\$ 607,500	\$ 649,031	\$ 83,338	\$ 120,227	\$ 360,102	\$ (128,499)	\$ 1,691,699	\$ 5,956	\$ 1,697,655	
Appropriation of 2021 earnings (Note 18)										
Legal reserve	-	-	21,278	-	(21,278)	-	-	-	-	
Special reserve	-	-	-	8,272	(8,272)	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(182,250)	-	(182,250)	-	(182,250)	
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	147,736	-	147,736	(2,164)	145,572	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	20,155	20,155	78	20,233	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	147,736	20,155	167,891	(2,086)	165,805	
Changes in percentage of ownership interests in subsidiaries (Notes 18 and 23)	-	(216)	-	-	(187)	-	(403)	6,411	6,008	
Cash dividends distributed by subsidiaries (Note 18)	-	-	-	-	-	-	-	(595)	(595)	
BALANCE AT DECEMBER 31, 2022	607,500	648,815	104,616	128,499	295,851	(108,344)	1,676,937	9,686	1,686,623	
Appropriation of 2022 earnings (Note 18)										
Legal reserve	-	-	14,755	-	(14,755)	-	-	-	-	
Special reserve	-	-	-	(20,155)	20,155	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(121,500)	-	(121,500)	-	(121,500)	
Net profit for the year ended December 31, 2023	-	-	-	-	175,605	-	175,605	2,872	178,477	
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(28,989)	(28,989)	(211)	(29,200)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	175,605	(28,989)	146,616	2,661	149,277	
Cash dividends distributed by subsidiaries (Note 18)	-	-	-	-	-	-	-	(596)	(596)	
BALANCE AT DECEMBER 31, 2023	\$ 607,500	\$ 648,815	\$ 119,371	\$ 108,344	\$ 355,356	\$ (137,333)	\$ 1,702,053	\$ 11,751	\$ 1,713,804	

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

# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 255,161	\$ 204,608
Adjustments for:		
Expected credit reversed recognized on trade receivables	(5,167)	(1,724)
Depreciation expense	74,443	84,013
Amortization expense	2,559	2,783
Finance costs	4,251	3,890
Interest income	(16,775)	(14,811)
Loss on disposal of property, plant and equipment	849	3,180
Write-downs of inventories	-	7,187
Net (gain) loss on foreign currency exchange	(236)	1,678
Changes in operating assets and liabilities		
Notes receivable	3,221	7,507
Notes receivable from related parties	-	3
Trade receivables	8,515	23,940
Trade receivables from related parties	(2,510)	11,137
Other receivables	(802)	(20)
Inventories	(25,217)	51,545
Prepayments	(24,650)	3,835
Contract liabilities	(123)	(10,939)
Trade payables	(6,742)	(30,740)
Trade payables to related parties	128	(1,030)
Other payables	<u>5,022</u>	<u>(25,816)</u>
Cash generated from operations	271,927	320,226
Income tax paid	<u>(74,144)</u>	<u>(45,602)</u>
Net cash generated from operating activities	<u>197,783</u>	<u>274,624</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(212,319)	(294,900)
Proceeds from sale of financial assets at amortized cost	258,825	27,142
Purchase of financial assets at fair value through profit or loss	-	(12,855)
Proceeds from sale of financial assets at fair value through profit or loss	-	12,855
Payments for property, plant and equipment	(12,931)	(17,742)
Proceeds from disposal of property, plant and equipment	595	482
Payments for intangible assets	(2,263)	(1,296)
Increase in other non-current assets	(23,383)	(11,596)
Interest received	<u>9,101</u>	<u>7,182</u>
Net cash generated from (used in) investing activities	<u>17,625</u>	<u>(290,728)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	349,385	251,733
Repayments of short-term borrowings	(368,981)	(286,239)

(Continued)

## SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Repayments of long-term borrowings	\$ (17,075)	\$ (17,023)
Proceeds from guarantee deposits received	-	443
Refund of guarantee deposits	(441)	-
Repayment of the principal portion of lease liabilities	(5,153)	(4,778)
Dividends paid to owners of the Company	(121,500)	(182,250)
Interest paid	(4,251)	(3,890)
Dividends paid to non-controlling interests	(596)	(595)
Changes in non-controlling interests	<u>-</u>	<u>6,008</u>
Net cash used in financing activities	<u>(168,612)</u>	<u>(236,591)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(8,928)</u>	<u>9,945</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,868	(242,750)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>297,331</u>	<u>540,081</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 335,199</u>	<u>\$ 297,331</u>

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

(Concluded)

# SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

San Neng Group Holdings Co., Ltd. (the “Company”) was founded on April 29, 2015 in the Cayman Islands. The Company was established to serve as the holding company in an organizational structure formed for the purpose of listing of shares on the Taiwan Stock Exchange, and the Company completed the reorganization of the framework on April 30, 2016. The Company and its subsidiaries (collectively, the “Group”) specialize in the research and development, production and sales of bakeware.

The Company’s shares have been listed on the Taiwan Stock Exchange since December 11, 2018.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 12, 2024.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

- c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;

- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10 and Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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



For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and branches in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss.

Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified as financial assets at amortized cost.

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including cash and cash equivalents, financial assets at amortized cost, receivables and refundable deposits).

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

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

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method except for situations where interest recognized for short-term payables is considered immaterial.

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

Revenue from the sale of goods comes from sales of bakeware and food ingredients. Sales of bakeware and food ingredients are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

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

l. Leases

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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

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

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

m. Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

p. Taxation

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

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred taxes for the year

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

## **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

When developing material accounting estimates, the Group considers the possible impact of climate change and related government policies and regulations and inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 1,228	\$ 1,300
Checking accounts	15	341
Demand deposits	225,550	169,632
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>108,406</u>	<u>126,058</u>
	<u>\$ 335,199</u>	<u>\$ 297,331</u>

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

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
Bank balance (including time deposits)	0.001%-5.35%	0.001%-4.50%

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 248,803	\$ 287,402
Restricted certificates of deposit	<u>560</u>	<u>-</u>
	<u>\$ 249,363</u>	<u>\$ 287,402</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 160,099</u>	<u>\$ 176,320</u>

Note 1: The interest rates for time deposits with original maturities of more than 3 months were 1.80%-3.85% per annum as of December 31, 2023 and 2022. The annual interest rate of restricted certificates of deposit was 1.575% as of December 31, 2023.

Note 2: Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as collateral.

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
At amortized cost	\$ 12,283	\$ 15,515
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 12,283</u>	<u>\$ 15,515</u>
<u>Trade receivables</u>		
At amortized cost	\$ 201,881	\$ 214,555
Less: Allowance for impairment loss	<u>(3,873)</u>	<u>(9,554)</u>
	<u>\$ 198,008</u>	<u>\$ 205,001</u>
<u>Other receivables</u>		
Interest receivables	\$ 19,501	\$ 11,827
Others	<u>3,169</u>	<u>2,426</u>
	<u>\$ 22,670</u>	<u>\$ 14,253</u>

### a. Notes receivable

The average credit period of notes receivable was 30-120 days. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for notes receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable are estimated by reference to the past default records of the debtor, the debtor's current financial position and the general economic conditions of the industry in which the debtor operates. As of December 31, 2023 and 2022, notes receivable were not past due and the ratio of allowance for impairment loss of notes receivable was 0%.

### b. Trade receivables

The average credit period of sales of goods was 30-120 days. No interest was charged on trade receivables that were past due. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.



The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

December 31, 2023

	Not Past Due	Past Due within 90 Days	Past Due 91 to 180 Days	Past Due over 180 Days	Total
Expected credit loss rate	0.14%	0.81%	8.80%	100%	
Gross carrying amount	\$ 174,283	\$ 21,623	\$ 2,761	\$ 3,214	\$ 201,881
Loss allowance (Lifetime ECL)	<u>(241)</u>	<u>(175)</u>	<u>(243)</u>	<u>(3,214)</u>	<u>(3,873)</u>
Amortized cost	<u>\$ 174,042</u>	<u>\$ 21,448</u>	<u>\$ 2,518</u>	<u>\$ -</u>	<u>\$ 198,008</u>

December 31, 2022

	Not Past due	Past Due within 90 Days	Past Due 91 to 180 Days	Past Due over 180 Days	Total
Expected credit loss rate	0.46%	3.21%	52.37%	99.44%	
Gross carrying amount	\$ 165,675	\$ 40,625	\$ 1,516	\$ 6,739	\$ 214,555
Loss allowance (Lifetime ECL)	<u>(756)</u>	<u>(1,303)</u>	<u>(794)</u>	<u>(6,701)</u>	<u>(9,554)</u>
Amortized cost	<u>\$ 164,919</u>	<u>\$ 39,322</u>	<u>\$ 722</u>	<u>\$ 38</u>	<u>\$ 205,001</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 9,554	\$ 11,149
Less: Amounts written off	(451)	(20)
Less: Reversal	(5,167)	(1,724)
Foreign exchange gains and losses	<u>(63)</u>	<u>149</u>
Balance at December 31	<u>\$ 3,873</u>	<u>\$ 9,554</u>

c. Other receivables

Other receivables consist of interest receivables, advance payment, etc. The Group adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group considers the current financial condition of debtors in order to estimate 12-month or lifetime ECLs. As of December 31, 2023 and 2022, the expected credit loss rate of other receivables is both 0%.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Finished goods	\$ 120,319	\$ 117,382
Work in progress	64,127	57,314
Raw materials	42,877	48,342
Merchandise	57,672	54,574
Inventory in transit	<u>6,012</u>	<u>3,270</u>
	<u>\$ 291,007</u>	<u>\$ 280,882</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 1,168,835	\$ 1,179,673
Inventory write-downs	<u>-</u>	<u>7,187</u>
	<u>\$ 1,168,835</u>	<u>\$ 1,186,860</u>

## 10. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	<b>Proportion of Ownership (%)</b>	
			<b>December 31</b>	<b>2023</b>
San Neng Group Holdings Co., Ltd.	East Gain Investment Limited	Holding company	100.00	100.00
East Gain Investment Limited	Sanneng Bakeware Corporation	Research and development, production and sales of bakeware	100.00	100.00
	San Neng Limited	Holding company	100.00	100.00
	San Neng Japan Bake Ware Corporation	Sales of bakeware and food ingredients	100.00	100.00
San Neng Limited	PT. San Neng Bakeware Indonesia	Sales of bakeware	100.00	100.00
	Sanneng Bakeware (Wuxi) Co., Ltd.	Research and development, production and sales of bakeware	100.00	100.00

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	
			2023	2022
Sanneng Bakeware (Wuxi) Co., Ltd.	Zinneng Bakeware (Wuxi) Co., Ltd.	Production and sales of bakeware	55.00	55.00
	Wuxi Squires Kitchen Trading Co., Ltd.	Sales of bakeware, food ingredients, packaging materials and cake decoration	52.48	52.48
	Sanneng Bakeware (Guangzhou) Co., Ltd.	Sales of bakeware, food ingredients, packaging materials	100.00	100.00

(Concluded)

## 11. PROPERTY, PLANT AND EQUIPMENT

### Assets Used by the Group

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 235,761	\$ 636,971	\$ 451,390	\$ 36,507	\$ 175,552	\$ 35,210	\$ 1,571,391
Additions	-	1,909	8,666	1,263	654	1,543	14,035
Disposals	-	-	(2,457)	(419)	(5,776)	(227)	(8,879)
Others - reclassified from prepayment for equipment	-	-	11,204	918	-	-	12,122
Others - reclassified from inventory	-	-	-	-	10,376	-	10,376
Effects of foreign currency exchange differences	-	(6,283)	(7,412)	(588)	(2,660)	(880)	(17,823)
Balance at December 31, 2023	<u>\$ 235,761</u>	<u>\$ 632,597</u>	<u>\$ 461,391</u>	<u>\$ 37,681</u>	<u>\$ 178,146</u>	<u>\$ 35,646</u>	<u>\$ 1,581,222</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2023	\$ -	\$ 223,267	\$ 305,829	\$ 28,866	\$ 129,429	\$ 24,047	\$ 711,438
Depreciation expense	-	24,968	24,892	2,240	13,565	3,624	69,289
Disposals	-	-	(1,828)	(377)	(5,008)	(222)	(7,435)
Effects of foreign currency exchange differences	-	(2,691)	(4,871)	(462)	(1,925)	(693)	(10,642)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 245,544</u>	<u>\$ 324,022</u>	<u>\$ 30,267</u>	<u>\$ 136,061</u>	<u>\$ 26,756</u>	<u>\$ 762,650</u>
Carrying amount at December 31, 2023	<u>\$ 235,761</u>	<u>\$ 387,053</u>	<u>\$ 137,369</u>	<u>\$ 7,414</u>	<u>\$ 42,085</u>	<u>\$ 8,890</u>	<u>\$ 818,572</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 235,761	\$ 631,097	\$ 457,145	\$ 35,920	\$ 167,811	\$ 27,751	\$ 1,555,485
Additions	-	5,959	2,864	806	4,536	3,371	17,536
Disposals	-	(5,087)	(14,872)	(1,281)	(4,147)	(344)	(25,731)
Others - reclassified from prepayment for equipment	-	-	381	702	-	4,392	5,475
Others - reclassified from inventory	-	-	-	-	5,368	-	5,368
Effects of foreign currency exchange differences	-	5,002	5,872	360	1,984	40	13,258
Balance at December 31, 2022	<u>\$ 235,761</u>	<u>\$ 636,971</u>	<u>\$ 451,390</u>	<u>\$ 36,507</u>	<u>\$ 175,552</u>	<u>\$ 35,210</u>	<u>\$ 1,571,391</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 201,136	\$ 283,341	\$ 27,692	\$ 115,261	\$ 21,125	\$ 648,555
Depreciation expense	-	25,477	31,655	2,061	15,936	3,195	78,324
Disposals	-	(5,087)	(12,512)	(1,140)	(3,042)	(288)	(22,069)
Effects of foreign currency exchange differences	-	1,741	3,345	253	1,274	15	6,628
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 223,267</u>	<u>\$ 305,829</u>	<u>\$ 28,866</u>	<u>\$ 129,429</u>	<u>\$ 24,047</u>	<u>\$ 711,438</u>
Carrying amount at December 31, 2022	<u>\$ 235,761</u>	<u>\$ 413,704</u>	<u>\$ 145,561</u>	<u>\$ 7,641</u>	<u>\$ 46,123</u>	<u>\$ 11,163</u>	<u>\$ 859,953</u>

No impairment loss was recognized or reversed for the years ended December 31, 2023 and 2022.

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

Buildings	
Main buildings	15-50 years
Engineering equipment	8-10 years
Others	5-10 years
Machinery and equipment	2-10 years
Transportation equipment	2-6 years
Office equipment	2-10 years
Other equipment	2-8 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Land use rights	\$ 17,718	\$ 18,565
Buildings	1,894	500
Machinery	-	2,164
Other	<u>15</u>	<u>64</u>
	<u>\$ 19,627</u>	<u>\$ 21,293</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 4,011</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land use rights	\$ 514	\$ 517
Buildings	2,436	2,757
Machinery	2,158	2,368
Other	<u>46</u>	<u>47</u>
	<u>\$ 5,154</u>	<u>\$ 5,689</u>

No impairment loss was recognized or reversed for the years ended December 31, 2023 and 2022.

As of December 31, 2023, the Group acquired the land use rights certificates, which are for land located in mainland China.

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Current	\$ <u>1,711</u>	\$ <u>3,024</u>
Non-current	\$ <u>-</u>	\$ <u>17</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Buildings	2.85%-4.90%	1.78%-4.90%
Machinery	4.90%	4.90%
Other	1.78%	1.78%

c. Material leasing activities and terms

As lessee, the Group leases certain machinery and other equipment for the use of product manufacturing and selling with lease terms of 5 years. The Group will take ownership of the machinery at the end of the lease term.

The Group also leases land use rights and buildings for the use of plants, offices, dormitories and warehouses with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land use rights and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ <u>2,648</u>	\$ <u>2,351</u>
Expenses relating to low-value asset leases	\$ <u>1,132</u>	\$ <u>1,172</u>
Total cash outflow for leases	\$ <u>(9,133)</u>	\$ <u>(8,646)</u>

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

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Lease commitments	\$ <u>-</u>	\$ <u>4,166</u>

### 13. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 11,887
Additions	2,263
Disposals	(3,577)
Effects of foreign currency exchange differences	<u>(103)</u>
Balance at December 31, 2023	<u>\$ 10,470</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2023	\$ 8,616
Amortization expense	2,559
Disposals	(3,577)
Effects of foreign currency exchange differences	<u>(85)</u>
Balance at December 31, 2023	<u>\$ 7,513</u>
Carrying amount at December 31, 2023	<u>\$ 2,957</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 12,318
Additions	1,296
Disposals	(1,719)
Effects of foreign currency exchange differences	<u>(8)</u>
Balance at December 31, 2022	<u>\$ 11,887</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 7,588
Amortization expense	2,783
Disposals	(1,719)
Effects of foreign currency exchange differences	<u>(36)</u>
Balance at December 31, 2022	<u>\$ 8,616</u>
Carrying amount at December 31, 2022	<u>\$ 3,271</u>

No impairment loss was recognized or reversed for the years ended December 31, 2023 and 2022.

Computer software is amortized on a straight-line basis over its estimated useful life of 1 to 10 years.

## 14. OTHER ASSETS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Prepayment for purchase	\$ 25,451	\$ 6,610
Prepaid expense	<u>21,178</u>	<u>16,079</u>
	<u>\$ 46,629</u>	<u>\$ 22,689</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 25,157	\$ 13,643
Refundable deposits	3,553	3,582
Prepayments - non-current	<u>57</u>	<u>819</u>
	<u>\$ 28,767</u>	<u>\$ 18,044</u>

## 15. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 59,978</u>	<u>\$ 81,294</u>

The range of weighted average effective interest rates on the line of credit borrowings was 0.50%-1.05% and 1.20%-5.60% per annum as of December 31, 2023 and 2022, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Secured borrowings</u>		
Bank loans	\$ 96,832	\$ 113,907
Less: Current portion	<u>(17,398)</u>	<u>(17,123)</u>
Long-term borrowings	<u>\$ 79,434</u>	<u>\$ 96,784</u>

The long-term secured bank loans were secured by the Group's freehold land and buildings (see Note 28). On April 21, 2016, the Group started to pay interest and principal monthly; the borrowings are payable in a total of 156 installments and will be repayable on April 21, 2029. The range of weighted average effective interest rates of secured bank loans was 1.825%-1.95% and 1.20%-1.825% per annum as of December 31, 2023 and 2022, respectively. \$3,000 thousand of the principal was repaid in September 2019, and \$105,000 thousand of the principal was repaid in June 2017.

## 16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 87,427	\$ 64,733
Payables for processing fees	18,544	15,535
Payables for shipping fees	3,198	5,079
Tax payables	10,076	28,421
Property, plant and equipment payables	1,763	659
Payables for professional service fees	1,767	1,738
Insurance premium payables	27,317	27,521
Others	<u>18,305</u>	<u>20,668</u>
	<u>\$ 168,397</u>	<u>\$ 164,354</u>
<u>Non-current</u>		
Guarantee deposit received	<u>\$ 519</u>	<u>\$ 970</u>

## 17. RETIREMENT BENEFIT PLANS

### Defined contribution plans

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

The employees of the Group's subsidiaries in Japan, Indonesia and mainland China are members of a state-managed retirement benefit plan operated by the local governments. The subsidiaries are required to contribute a specified percentages of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## 18. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>60,750</u>	<u>60,750</u>
Shares issued	<u>\$ 607,500</u>	<u>\$ 607,500</u>

A holder of issued ordinary shares with par value of NT\$10 is entitled to vote and to receive dividends.



b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 646,722	\$ 646,722
<u>May be used to offset a deficit only (2)</u>		
Employee share options	<u>2,093</u>	<u>2,093</u>
	<u>\$ 648,815</u>	<u>\$ 648,815</u>

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

2) Such capital surplus may be used to offset a deficit only.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 22, 2022 and in that meeting, resolved the amendments to the Company’s Articles of Incorporation (the “Articles”). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders’ meeting.

Under the dividends policy as set forth in the Articles after the amendments, where the Company subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Legal Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Legal Reserve does not apply if the aggregate amount of the Legal Reserve amounts to the Company’s total issued capital), and setting aside the Special Reserve (if any), the Company may distribute not less than twenty percent (20%) of the remaining balance (including the amounts reversed from the special reserve) (the “Distributable Profit”), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the shareholders as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than twenty percent (20%) of the total amount of dividends/bonuses to shareholders. The Company authorizes the board of directors to distribute all or part of the dividends and bonuses in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors and a report of such distribution should be submitted in the shareholders’ meeting. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to the compensation of employees and remuneration of directors in Note 20(g).

Under the dividends policy as set forth in the Articles before the amendments, where the Company subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Legal Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Legal Reserve does not apply if the aggregate amount of the Legal Reserve amounts to the Company's total issued capital), and setting aside the Special Reserve (if any), the Company may distribute not less than twenty percent (20%) of the remaining balance (including the amounts reversed from the special reserve) (the "Distributable Profit"), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the shareholders as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends/bonuses shall not be less than twenty percent (20%) of the total amount of dividends/bonuses to shareholders.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2022 and 2021, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 14,755	\$ 21,278
(Reversal) provision of special reserve	(20,155)	8,272
Cash dividends	121,500	182,250
Dividends per share (NT\$)	2.0	3.0

The above appropriation for cash dividends for 2022 was resolved by the Company's board of directors on March 22, 2023; the other proposed appropriations were resolved by the shareholders in their meeting on June 20, 2023. The appropriation of earnings for 2021 was resolved by the shareholders in their meeting on June 22, 2022.

The appropriation of earnings for 2023 was proposed by the Company's board of directors on March 12, 2024, were as follows:

	<b>For the Year Ended December 31, 2023</b>
Legal reserve	\$ 17,560
Special reserve	28,989
Cash dividends	151,875
Dividends per share (NT\$)	2.5

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 20, 2024.

d. Special reserve

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 128,499	\$ 120,227
Appropriations in respect of		
Debits to other equity items	-	8,272
Reversal:		
Reversal of the debits to other equity items	<u>(20,155)</u>	<u>-</u>
Balance at December 31	<u>\$ 108,344</u>	<u>\$ 128,499</u>

e. Non-controlling interests

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 9,686	\$ 5,956
Share in income (loss) for the year	2,872	(2,164)
Other comprehensive income (loss) during the year		
Exchange difference on translation of the financial statements		
of the foreign operations	(211)	78
Capital increase not in proportion to shareholdings of		
subsidiaries (Wuxi Squires Kitchen Trading Co., Ltd.)		
(Note 23)	-	6,411
Cash dividends	<u>(596)</u>	<u>(595)</u>
Balance at December 31	<u>\$ 11,751</u>	<u>\$ 9,686</u>

## 19. REVENUE

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from sale of bakeware	\$ 1,874,113	\$ 1,816,554
Revenue from sale of food ingredients	<u>31,726</u>	<u>45,408</u>
	<u>\$ 1,905,839</u>	<u>\$ 1,861,962</u>

a. Contract information

Revenue from sale of goods

The Group sells bakeware and food ingredients to the dealer or directly to customers through internet sales. A volume discount is offered to bakeware buyers whose purchases exceed a specific threshold. The amount of discount and related revenue are estimated using the most likely amount, taking into consideration the buyer's historical purchase records. All other goods are sold at their respective fixed amounts as agreed in the contracts.

b. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes receivable	\$ 12,283	\$ 15,515	\$ 23,033
Notes receivable from related parties	-	-	3
Trade receivables	198,008	205,001	226,110
Trade receivables from related parties	<u>4,679</u>	<u>2,250</u>	<u>13,156</u>
	<u>\$ 214,970</u>	<u>\$ 222,766</u>	<u>\$ 262,302</u>
<b>Contract liabilities</b>			
Sale of goods	<u>\$ 17,265</u>	<u>\$ 17,711</u>	<u>\$ 28,241</u>

Revenue recognized in the current reporting period from contract liabilities at the beginning of the year is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
<u>From contract liabilities at the beginning of the year</u>		
Sale of goods	<u>\$ 14,821</u>	<u>\$ 24,824</u>

c. Disaggregation of revenue

Refer to Note 33 for information about the disaggregation of revenue.

**20. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS**

a. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Interest income - bank deposits	\$ 16,775	\$ 10,006
Interest income - financial products	<u>-</u>	<u>4,805</u>
	<u>\$ 16,775</u>	<u>\$ 14,811</u>

b. Other income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Income from government subsidies	\$ 10,989	\$ 4,884
Others	<u>9,403</u>	<u>5,044</u>
	<u>\$ 20,392</u>	<u>\$ 9,928</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Loss on disposal of property, plant and equipment	\$ (849)	\$ (3,180)
Net foreign exchange gain (loss)	2,701	(6,046)
Others	<u>(124)</u>	<u>(2,152)</u>
	<u>\$ 1,728</u>	<u>\$ (11,378)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 4,123	\$ 3,658
Interest on lease liabilities	<u>128</u>	<u>232</u>
	<u>\$ 4,251</u>	<u>\$ 3,890</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of depreciation by function		
Operating costs	\$ 49,139	\$ 56,993
Operating expenses	<u>25,304</u>	<u>27,020</u>
	<u>\$ 74,443</u>	<u>\$ 84,013</u>
An analysis of amortization by function		
Operating costs	\$ 646	\$ 790
Selling and marketing expenses	331	161
General and administrative expenses	1,455	1,748
Research and development expenses	<u>127</u>	<u>84</u>
	<u>\$ 2,559</u>	<u>\$ 2,783</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term benefits	\$ 470,280	\$ 415,171
Post-employment benefits		
Defined contribution plans	<u>31,383</u>	<u>31,553</u>
Total employee benefits expense	<u>\$ 501,663</u>	<u>\$ 446,724</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 186,176	\$ 172,019
Operating expenses	<u>315,487</u>	<u>274,705</u>
	<u>\$ 501,663</u>	<u>\$ 446,724</u>

g. Compensation of employees and remuneration of directors

The Company subject to the Law, the Applicable Listing Rules and these Articles, the Company accrued compensation of employees and remuneration of directors at rates of 2%-10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. However, the total amount of accumulated losses of the Company (including adjusted undistributed profits) shall be reserved from the said profits in advance, and the Company shall distribute the remaining balance thereof to the employees and directors in the proportion set out above. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022, which have been approved by the Company's board of directors on March 12, 2024 and March 22, 2023, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Compensation of employees	8.61%	8.59%
Remuneration of directors	2.71%	2.71%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 17,052	\$ 14,303
Remuneration of directors	5,367	4,515

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors for 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 16,792	\$ 11,416
Foreign exchange losses	<u>(14,091)</u>	<u>(17,462)</u>
Net gains (losses)	<u>\$ 2,701</u>	<u>\$ (6,046)</u>

## 21. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 72,753	\$ 52,938
Income tax on unappropriated earnings	-	500
Adjustments for prior years	<u>1,381</u>	<u>5,224</u>
	<u>74,134</u>	<u>58,662</u>
Deferred tax		
In respect of the current year	3,078	374
Adjustments for prior years	<u>(528)</u>	<u>-</u>
	<u>2,550</u>	<u>374</u>
Income tax expense recognized in profit or loss	<u>\$ 76,684</u>	<u>\$ 59,036</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax from continuing operations	<u>\$ 255,161</u>	<u>\$ 204,608</u>
Income tax expense calculated at the statutory rate (20%)	\$ 51,032	\$ 40,922
Non deductible expenses in determining taxable income	3,219	3,794
Tax concessions	(36,300)	(30,306)
Income tax on unappropriated earnings	-	500
Effects of different tax rates of entities in the Group operating in other jurisdictions	19,563	14,762
Withholding tax from overseas profits	38,317	24,140
Adjustments for prior years' tax	<u>853</u>	<u>5,224</u>
Income tax expense recognized in profit or loss	<u>\$ 76,684</u>	<u>\$ 59,036</u>

Under the Income Tax Act in the ROC, the income tax rate applicable to Sanneng Bakeware Corporation is 20%.

Under the People's Republic of China (PRC) corporate income tax law, San Neng Bakeware (Wuxi) Co., Ltd. qualified as a High Tech Enterprise, and is subject to a 15% corporate income tax rate from 2022 to 2024.

Under the Preferential Income Tax Policies for Small and Low-Profit Enterprises in mainland China, 25% and 12.5% of the income of Zinneng Bakeware (Wuxi) Co., Ltd. that amounted to less than RMB1,000 thousand in 2023 and 2022, respectively, shall be included in taxable income and subject to the corporate income tax rate of 20%; while 25% of the income that amounted to more than RMB1,000 thousand but less than RMB3,000 thousand, shall be included in taxable income and subject to the corporate income tax rate of 20%.

b. Current tax liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax liabilities		
Income tax payable	<u>\$ 32,275</u>	<u>\$ 31,840</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 1,308	\$ (834)	\$ (10)	\$ 464
Unrealized loss on inventories	10,288	(2,397)	(139)	7,752
Unrealized exchange losses	-	187	-	187
Others	<u>4,770</u>	<u>(188)</u>	<u>(92)</u>	<u>4,490</u>
	<u>\$ 16,366</u>	<u>\$ (3,232)</u>	<u>\$ (241)</u>	<u>\$ 12,893</u>

Deferred tax liabilities

Temporary differences				
Unrealized exchange gains	\$ 682	\$ (682)	\$ -	\$ -
Others	<u>10,947</u>	<u>-</u>	<u>-</u>	<u>10,947</u>
	<u>\$ 11,629</u>	<u>\$ (682)</u>	<u>\$ -</u>	<u>\$ 10,947</u>

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for impairment loss	\$ 1,473	\$ (187)	\$ 22	\$ 1,308
Unrealized loss on inventories	8,702	1,561	25	10,288
Unrealized exchange losses	196	(196)	-	-
Others	<u>5,596</u>	<u>(870)</u>	<u>44</u>	<u>4,770</u>
	<u>\$ 15,967</u>	<u>\$ 308</u>	<u>\$ 91</u>	<u>\$ 16,366</u>

(Continued)



	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized exchange gains	\$ -	\$ 682	\$ -	\$ 682
Others	<u>10,947</u>	<u>-</u>	<u>-</u>	<u>10,947</u>
	<u>\$ 10,947</u>	<u>\$ 682</u>	<u>\$ -</u>	<u>\$ 11,629</u> (Concluded)

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$804,563 thousand and \$966,591 thousand, respectively.

- e. Income tax assessments

As of December 31, 2023, there was no lawsuit or claim regarding tax assessments against the Group.

## 22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2023	2022
Basic earnings per share		
From continuing operations	<u>\$ 2.89</u>	<u>\$ 2.43</u>
Diluted earnings per share		
From continuing operations	<u>\$ 2.87</u>	<u>\$ 2.41</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2023	2022
Profit for the year attributable to owners of the Company	\$ 175,605	\$ 147,736
Effects of potentially dilutive ordinary shares		
Compensation of employees of the Company	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 175,605</u>	<u>\$ 147,736</u>

## Weighted Average Number of Ordinary Shares Outstanding ((In Thousands of Shares))

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares in the computation of basic earnings per share	60,750	60,750
Effects of potentially dilutive ordinary shares		
Compensation of employees of the Company	<u>498</u>	<u>473</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>61,248</u>	<u>61,223</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potentially dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares will be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

### 23 EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In August 2022, the Group subscribed for additional new shares of Squires and increased its continuing interest from 51% to 52.48% and set September 30, 2022 as the base date for shares transfer.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

	<b>Wuxi Squires Kitchen Trading Co., Ltd.</b>
Amount of cash capital increase from non-controlling interests	\$ 6,008
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(6,411)</u>
Differences recognized from equity transaction	<u>\$ (403)</u>
<u>Line items adjusted for equity transaction</u>	
Capital surplus - changes in percentage of ownership interests in the subsidiaries	\$ (216)
Retained earnings	<u>(187)</u>
	<u>\$ (403)</u>

## 24. CASH FLOW INFORMATION

### a. Partial cash transaction

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

As of December 31, 2023 and 2022, the amounts for the purchase of property, plant and equipment that were not yet paid were \$1,763 thousand and \$659 thousand, respectively, which were included in other payables.

### b. Changes in liabilities for financing activities

For the year ended December 31, 2023

	Balance at January 1, 2023	Cash Flows		Non-cash Changes		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Balance at December 31, 2023
		Principal Addition (Repay)	Finance Costs	New Leases	Finance Costs		
Short-term borrowings	\$ 81,294	\$ (19,596)	\$ (2,097)	\$ -	\$ 2,097	\$ (1,720)	\$ 59,978
Long-term borrowings	113,907	(17,075)	(2,026)	-	2,026	-	96,832
Guarantee deposit received	970	(441)	-	-	-	(10)	519
Lease liabilities	3,041	(5,153)	(128)	4,011	128	(188)	1,711
	<u>\$ 199,212</u>	<u>\$ (42,265)</u>	<u>\$ (4,251)</u>	<u>\$ 4,011</u>	<u>\$ 4,251</u>	<u>\$ (1,918)</u>	<u>\$ 159,040</u>

For the year ended December 31, 2022

	Balance at January 1, 2022	Cash Flows		Non-cash Changes		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Balance at December 31, 2022
		Principal Addition (Repay)	Finance Costs	New Leases	Finance Costs		
Short-term borrowings	\$ 112,360	\$ (34,506)	\$ (1,829)	\$ -	\$ 1,829	\$ 3,440	\$ 81,294
Long-term borrowings	130,930	(17,023)	(1,829)	-	1,829	-	113,907
Guarantee deposit received	522	443	-	-	-	5	970
Lease liabilities	7,824	(4,778)	(232)	-	232	(5)	3,041
	<u>\$ 251,636</u>	<u>\$ (55,864)</u>	<u>\$ (3,890)</u>	<u>\$ -</u>	<u>\$ 3,890</u>	<u>\$ 3,440</u>	<u>\$ 199,212</u>

## 25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management of the Group considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

### b. Categories of financial instruments

	<u>December 31</u>	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 985,854	\$ 1,001,654
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	301,931	349,051

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, receivables and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, payables (excluding payables for salaries or bonuses, payables for business tax and insurance premium payables), long-term borrowings, current portion of long-term borrowings and guarantee deposits received.

### c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets at amortized cost, receivables, refundable deposits, payables, lease liabilities and borrowings. Risks on the financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

#### 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

##### a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. The Group assesses the net risk position of non-functional currency denominated sales and purchases periodically and adjusts its non-functional cash position on the basis of its assessment.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Group was mainly exposed to exchange rate fluctuations of the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number in the table below indicates an increase in pre-tax profit and other equity associated with the functional currency weakening 1% against the relevant currency. For a 1% strengthening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit or loss	\$ 645	\$ 234

The above amount was mainly attributable to the exposure on outstanding USD cash and cash equivalents, financial assets at amortized cost, receivables, payables and borrowings which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD increased during the current year mainly due to the increase in USD denominated net assets.

b) Interest rate risk

The Group was exposed to interest rate risk because its bank deposits, loans and lease liabilities are at both fixed and floating interest rates.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 517,868	\$ 589,780
Financial liabilities	61,689	3,041
Cash flow interest rate risk		
Financial assets	225,550	169,632
Financial liabilities	96,832	195,201

### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$322 thousand and \$(64) thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank borrowings.

The Group's sensitivity to interest rates reversed during the current period mainly due to the increase in floating interest rate net assets.

#### 2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group rated its major customers based on the information supplied by independent rating agencies where available and, if not available, other publicly available financial information and its own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

#### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

For the Group, bank loans are an important resource of liquidity to the Group. Refer to section (b) below for more information about unused amounts of financing facilities at December 31, 2023 and 2022.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table shows the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2023

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 60,086	\$ -	\$ -	\$ -
Non-interest bearing liabilities	119,407	25,195	519	-
Lease liabilities	272	1,464	-	-
Long-term borrowings	<u>4,783</u>	<u>14,348</u>	<u>76,525</u>	<u>6,377</u>
	<u>\$ 184,548</u>	<u>\$ 41,007</u>	<u>\$ 77,044</u>	<u>\$ 6,377</u>

December 31, 2022

	<b>On Demand or Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 81,725	\$ -	\$ -	\$ -
Non-interest bearing liabilities	122,005	30,875	970	-
Lease liabilities	873	2,196	17	-
Long-term borrowings	<u>4,765</u>	<u>14,294</u>	<u>76,234</u>	<u>25,411</u>
	<u>\$ 209,368</u>	<u>\$ 47,365</u>	<u>\$ 77,221</u>	<u>\$ 25,411</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured loans, reviewed annually and payable on demand:		
Amount used	\$ 59,978	\$ 81,294
Amount unused	<u>280,662</u>	<u>70,836</u>
	<u>\$ 340,640</u>	<u>\$ 152,130</u>
Secured loans:		
Amount used	\$ 96,832	\$ 113,907
Amount unused	<u>150,000</u>	<u>150,000</u>
	<u>\$ 246,832</u>	<u>\$ 263,907</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

### a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
Sinmag Equipment Corporation	Other - substantive related party
Sinmag Equipment (China) Co., Ltd.	Other - substantive related party
Sinmag Bakery Equipment Sdn. Bhd.	Other - substantive related party
Sinmag Equipment (Thailand) Co., Ltd.	Other - substantive related party

### b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Others - substantive related parties	<u>\$ 42,354</u>	<u>\$ 26,695</u>

The sales prices to related parties were determined based on mutual agreements, and the collection terms to related parties were 60 days to 90 days. The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms to third parties were receive payment in advance, cash on delivery or 10 days to 180 days.

### c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Others - substantive related parties	<u>\$ 11,004</u>	<u>\$ 8,630</u>

The purchase prices from related parties were determined based on mutual agreements, and the payment terms to related parties were paid within 7 days of delivery or 30 days to 90 days. The purchase prices from third parties were determined in accordance with mutual agreements, and the payment terms to third parties were prepaid, 10 days to 93 days or within 30 days from receiving of invoice.

### d. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2023</u>	<u>2022</u>
Trade receivables	Others - substantive related parties	<u>\$ 4,679</u>	<u>\$ 2,250</u>

The outstanding trade receivables from related parties were unsecured. As of December 31, 2023 and 2022, all receivables from related parties were not past due. For the years ended December 31, 2023 and 2022, no impairment loss was recognized for trade receivables from related parties.



e. Payables to related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Trade payables	Others - substantive related parties	\$ <u>1,191</u>	\$ <u>1,086</u>

The outstanding trade payables to related parties are unsecured.

f. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 32,469	\$ 33,987
Post-employment benefits	<u>1,319</u>	<u>1,385</u>
	<u>\$ 33,788</u>	<u>\$ 35,372</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans and the deposit for government grants:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Freehold land	\$ 235,761	\$ 235,761
Buildings, net	197,081	206,491
Restricted certificates of deposit (recognized as financial assets at amortised cost - current)	<u>560</u>	<u>-</u>
	<u>\$ 433,402</u>	<u>\$ 442,252</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Acquisition of property, plant and equipment	\$ <u>13,649</u>	\$ <u>6,350</u>

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2023

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 624	30.71 (USD:NTD)	\$ 19,171
USD	1,773	7.10 (USD:RMB)	54,438
USD	3	15,352.50 (USD:IDR)	<u>96</u>
			<u>\$ 73,705</u>

Financial liabilities

Monetary items			
USD	11	7.10 (USD:RMB)	\$ 338
USD	236	15,352.50 (USD:IDR)	7,235
USD	54	141.37 (USD:JPY)	<u>1,662</u>
			<u>\$ 9,235</u>

December 31, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 595	30.71 (USD:NTD)	\$ 18,264
USD	1,137	6.97 (USD:RMB)	34,919
USD	3	15,355.00 (USD:IDR)	<u>98</u>
			<u>\$ 53,281</u>

Financial liabilities

Monetary items			
USD	801	30.71 (USD:NTD)	\$ 24,613
USD	10	6.97 (USD:RMB)	315
USD	106	15,355.00 (USD:IDR)	3,247
USD	56	132.14 (USD:JPY)	<u>1,717</u>
			<u>\$ 29,892</u>

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains (losses) were \$2,701 thousand and \$(6,046) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

### **31. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

On January 29, 2024, the board of directors of the Company resolved to establish the company named PT. SANNENG ASIA INDUSTRY INDONESIA, and the Group owned 100% of the total equity with an estimated investment in the amount of US\$1,800 thousand. The establishment registration was completed in February 2024, while as of March 27, 2024, the Group has not remitted the investment share capital.

### **32. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (none)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (none)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (none)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (none)
- 9) Trading in derivative instruments (none)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)

b. Information on investees (Table 4)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 6):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

### 33. SEGMENT INFORMATION

- a. Segment revenue and results

The bakeware and food ingredients segment include a number of sales operations in various countries each of which is considered a separate operating segment by the chief operating decision maker. For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment taking into account the following factors:

- 1) Similar product characteristics.
  - 2) Similar pricing strategy and sales model.
- b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Sales of bakeware	\$ 1,874,113	\$ 1,816,554
Sales of food ingredients	<u>31,726</u>	<u>45,408</u>
	<u>\$ 1,905,839</u>	<u>\$ 1,861,962</u>

c. Geographical information

The Group operates in three principal geographical areas - Taiwan, mainland China and Japan.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Taiwan	\$ 318,529	\$ 362,713	\$ 441,331	\$ 455,795
Mainland China	1,470,131	1,400,631	421,284	441,717
Japan	81,855	73,348	3,349	964
Others	<u>35,324</u>	<u>25,270</u>	<u>406</u>	<u>503</u>
	<u>\$ 1,905,839</u>	<u>\$ 1,861,962</u>	<u>\$ 866,370</u>	<u>\$ 898,979</u>

Non-current assets exclude financial assets at amortized cost, deferred tax assets and refundable deposits.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2023 and 2022.

## SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

## FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and foreign currency, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
0	San Neng Group Holdings Co., Ltd.	San Neng Japan Bake Ware Corporation	Other receivables from related parties	Yes	\$ 49,956 (JPY 230,000)	\$ 24,978 (JPY 115,000)	\$ 24,978 (JPY 115,000)	Charged at an monthly interest rate of 1.2% of annual interest rate	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 680,821	\$ 680,821	-
		San Neng Indonesia Bakeware Corporation	Other receivables from related parties	Yes	46,058 (US\$ 1,500)	46,058 (US\$ 1,500)	- (US\$ -)	Annual interest rate of 6%-7%	Short-term financing	-	Working capital	-	-	-	680,821	680,821	-

Note 1: The accumulated amount of Company's short-term funds lent to others shall not exceed 40% of the Company's net worth based on its most recent audited financial statements.

Note 2: For each loan, the maximum amount in accordance with the type of the loan shall be conform to the following provisions:

- a. For the purpose of conducting business, the amount of individual financing provided is limited to the business and trade amount where the business and trade amount is the higher of the sales amount or purchases amount within recent one year or current year.
- b. For the purpose of short-term capital financing, the amount of individual financing shall not exceed 40% of the Company's net worth based on its most recent audited financial statements.
- c. When the Company lends funds to a foreign company in which the Company directly and indirectly holds 100% of the voting shares, the amount of the loan, or the sum of the capital loan by a foreign company, in which the Company directly and indirectly holds 100% of the voting shares, to the Company shall not be subject to the restrictions of abovementioned (2), and the accumulated amount shall not exceed 40% of the Company's net worth based on its most recent audited financial statements, with the loan period limited to 1 year.

Note 3: The highest balance for the period, ending balance and actual borrowed amount converted at the spot exchange rate on the balance sheet date.

Note 4: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation.

**SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sanneng Bakeware (Wuxi) Co., Ltd.	Sanneng Bakeware (Guangzhou) Co., Ltd.	Investee accounted for using the equity method	(Sales)	\$ (227,409)	(16)	30 days	Note 1	Note 2	\$ 27,450	15	Note 4
Sanneng Bakeware (Guangzhou) Co., Ltd.	Sanneng Bakeware (Wuxi) Co., Ltd.	Parent company of investee accounted for using the equity method	Purchase	227,409	100	30 days	Note 1	Note 3	(27,450)	(100)	Note 4

Note 1: The sales and purchase prices to third parties and related parties were determined in accordance with mutual agreements.

Note 2: The collection terms from third parties were cash on delivery or 30 days to 180 days.

Note 3: The payment terms to third parties were paid after receiving the invoice.

Note 4: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation.

## SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and foreign currency, Unless Stated Otherwise)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Detail			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% of Total Sales or Assets (Note 3)
0	San Neng Group Holdings Co., Ltd.	San Neng Japan Bake Ware Corporation	a.	Other receivables	\$ 24,978 (JPY 115,000)	Short-term financing	1
1	East Gain Investment Limited	San Neng Group Holdings Co., Ltd.	b.	Investments accounted for using equity method	228,474 (RMB 52,740)	Surplus repatriation	10
2	San Neng Limited	East Gain Investment Limited	c.	Investments accounted for using equity method	228,474 (RMB 52,740)	Surplus repatriation	10
3	Sanneng Bakeware Corporation	Sanneng Bakeware (Wuxi) Co., Ltd. San Neng Japan Bake Ware Corporation	c. c.	Sales Sales Trade receivables	17,783 23,047 13,380	Mutual agreements, B/L 90 days Mutual agreements, B/L 90 days -	1 1 1
4	Sanneng Bakeware (Wuxi) Co., Ltd.	San Neng Limited Wuxi Squires Kitchen Trading Co., Ltd. Sanneng Bakeware (Guangzhou) Co., Ltd. San Neng Bakeware Corporation PT. San Neng Bakeware Indonesia	c. c. c. c. c.	Investments accounted for using equity method Sales Trade receivables Sales Trade receivables Sales Sales	250,925 (RMB 58,600) 69,115 19,526 227,409 27,450 16,779 19,480	Surplus repatriation Mutual agreements, 60 days - Mutual agreements, 30 days - Mutual agreements, B/L 90 days Mutual agreements, B/L 90 days	11 4 1 12 1 1 1
5	Zinneng Bakeware (Wuxi) Co., Ltd.	Sanneng Bakeware (Wuxi) Co., Ltd.	c.	Sales	41,948	Mutual agreements, 30 days	2

Business relationships between parent and subsidiaries:

Sanneng Bakeware Corporation and Sanneng Bakeware (Wuxi) Co., Ltd. are mainly engaged in the research and development, production and sales of bakeware. San Neng Japan Bake Ware are mainly engaged in the sale of bakeware and food ingredients. PT. San Neng Bakeware Indonesia are mainly engaged in the sales of bakeware. San Neng Group Holdings Co., Ltd., East Gain Investment Limited and San Neng Limited are holding companies. Zinneng Bakeware (Wuxi) Co., Ltd. are mainly engaged in production and sales of bakeware. Wuxi Squires Kitchen Trading Co., Ltd. is mainly engaged in the sale of bakeware, food ingredients, packaging materials and cake decorations. Sanneng Bakeware (Guangzhou) Co., Ltd. is mainly engaged in the sale of bakeware, food ingredients and packaging materials.

Note 1: Three types of transactions with relationship:

- a. From parent to subsidiary
- b. From subsidiary to parent
- c. Between subsidiaries

(Continued)



Note 2: The above table discloses only one-way transaction information. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation.

Note 3: The calculation of the percentage of the transaction accounts for total consolidated revenue or total assets. For the assets and liabilities, they are calculated by the ending balance divided by the consolidated total assets. For profit and loss, they are calculated by the accumulated amount at the end of period divided by the consolidated total revenue.

Note 4: This appendix demonstrates that the amount of important transactions exceeds NT\$10,000 thousand or more.

(Concluded)

**SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
San Neng Group Holdings Co., Ltd.	East Gain Investment Limited	Samoa	Holding company	\$ 34,876	\$ 34,876	2,141,000	100	\$ 1,661,471	\$ 212,251	\$ 212,251	Notes 1 and 2
East Gain Investment Limited	San Neng Limited	Hong Kong	Holding company	-	-	-	100	1,193,088	206,723	206,723	Notes 1 and 2
	Sanneng Bakeware Corporation	Taiwan	Research and development, production and sales of bakeware	365,000	365,000	14,600,000	100	460,395	3,538	3,652	Notes 1, 2 and 3
	San Neng Japan Bake Ware Corporation	Japan	Sales of bakeware and food ingredients	23,198	23,198	9,500	100	(8,222)	2,271	2,279	Notes 1, 2 and 3
	PT. San Neng Bakeware Indonesia	Indonesia	Sales of bakeware	75,458	75,458	2,500,000	100	16,080	(399)	(399)	Notes 1 and 2

Note 1: The share of profit (loss) was recognized according to the financial statements audited by the accounting firm of the parent company in Taiwan of the investees for the same year.

Note 2: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation.

Note 3: The share of profits (losses) of the investee includes the effect of realized and unrealized gross profit on intercompany transactions.

Note 4: For information on investments in mainland China, refer to Table 5.

## SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and foreign currencies, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2(b)2)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Sanneng Bakeware (Wuxi) Co., Ltd.	Research and development, production and sales of bakeware	\$ 541,062 (US\$ 17,300)	Note 1 (b)	\$ -	\$ -	\$ -	\$ -	\$ 241,773	100.00	\$ 242,402	\$ 1,226,701	\$ 1,494,941 (RMB 335,837)	Notes 3 and 4
Wuxi Squires Kitchen Trading Co., Ltd.	Sale of bakeware, food ingredients, packaging materials and cake decorations	32,748 (RMB 7,490)	Note 1 (c)	-	-	-	-	3,722	52.48	1,953	(221)	-	Note 4
Zinneng Bakeware (Wuxi) Co., Ltd.	Production and sales of bakeware	13,563 (RMB 3,000)	Note 1 (c)	-	-	-	-	2,453	55.00	884	9,098	-	Notes 3 and 4
Sanneng Bakeware (Guangzhou) Co., Ltd.	Sale of bakeware, food ingredients and packaging materials	121,632 (RMB 28,000)	Note 1 (c)	-	-	-	-	(7,154)	100.00	(7,154)	105,861	-	Note 4

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
Note	Note	Note

Note: The Company was not established in the Republic of China, so it is not applicable.

Note 1: The three methods of investing in mainland China are as follows:

- Direct investments in mainland China.
- Investment in mainland China through an existing company established in a third region (San Neng Limited).
- Investment in mainland China through an existing company established in mainland China (Sanneng Bakeware (Wuxi) Co., Ltd.).

Note 2: In the column of investment gain (loss)

- If the investment is still in preparation and there is no investment gain (loss), it will be specified.
- The basis for recognizing investment gain (loss) is as follows:
  - Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
  - Based on financial statements audited by the accounting firm of the parent company in Taiwan.
  - Others.

Note 3: The share of profits (losses) of the investee included the effect of realized and unrealized gross profit on intercompany transactions.

Note 4: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation.

**SAN NENG GROUP HOLDINGS CO., LTD. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Sanneng Bakeware (Wuxi) Co., Ltd.	(Sales)	\$ (17,783)	(5)	Mutual agreement	B/L 90 days	Note 1	\$ 5,129	7	\$ 659	Notes 2 and 18
	Purchase	16,779	13	Mutual agreement	B/L 90 days	Note 3	(4,930)	(15)	-	Notes 4 and 18
	Purchase	69,115	75	Mutual agreement	60 days	Note 5	(19,526)	(88)	-	Notes 6 and 18
	Purchase	227,409	100	Mutual agreement	30 days	Note 7	(27,450)	(100)	-	Notes 8 and 18
	Purchase	19,480	88	Mutual agreement	B/L 90 days	Note 9	(6,707)	(93)	-	Notes 10 and 18
	(Sales)	(41,948)	(99)	Mutual agreement	30 days	Note 11	5,138	97	903	Notes 12 and 18
Wuxi Squires Kitchen Trading Co., Ltd.	(Sales)	(69,115)	(5)	Mutual agreement	60 days	Note 13	19,526	11	4,241	Notes 14 and 18
Sanneng Bakeware (Guangzhou) Co., Ltd.	(Sales)	(227,409)	(16)	Mutual agreement	30 days	Note 13	27,450	15	3,338	Notes 15 and 18
Zinneng Bakeware (Wuxi) Co., Ltd.	Purchase	41,948	7	Mutual agreement	30 days	Note 16	(5,138)	(7)	-	Notes 17 and 18

Note 1: The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms from third parties were receive payment in advance, cash on delivery or 15 days to 130 days.

Note 2: Sanneng Bakeware Corporation sold to Sanneng Bakeware (Wuxi) Co., Ltd.

Note 3: The purchase prices from third parties were determined in accordance with mutual agreements, and the payment terms to third parties were 33 days to 93 days.

Note 4: Sanneng Bakeware Corporation purchased from Sanneng Bakeware (Wuxi) Co., Ltd.

Note 5: The purchase prices from third parties were determined in accordance with mutual agreements, and the payment terms to third parties were payment in advance or 10 days to 30 days.

Note 6: Wuxi Squires Kitchen Trading Co., Ltd. purchased from Sanneng Bakeware (Wuxi) Co., Ltd.

Note 7: The purchase prices from third parties were determined in accordance with mutual agreements, and the payment terms to third parties were payment after receiving the invoice.

Note 8: Sanneng Bakeware (Guangzhou) Co., Ltd. purchased from Sanneng Bakeware (Wuxi) Co., Ltd.

Note 9: The purchase prices from third parties were determined in accordance with mutual agreements, and the payment terms to third parties were payment within 30 days from receiving of invoice.

Note 10: PT. San Neng Bakeware Indonesia purchased from Sanneng Bakeware (Wuxi) Co., Ltd.

(Continued)

Note 11: The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms from third parties were 30 days.

Note 12: Zinneng Bakeware (Wuxi) Co., Ltd. provided product processing services to Sanneng Bakeware (Wuxi) Co., Ltd.

Note 13: The sales prices to third parties were determined in accordance with mutual agreements, and the collection terms from third parties were cash on delivery or 30 days to 180 days.

Note 14: Sanneng Bakeware (Wuxi) Co., Ltd. sold to Wuxi Squires Kitchen Trading Co., Ltd.

Note 15: Sanneng Bakeware (Wuxi) Co., Ltd. sold to Sanneng Bakeware (Guangzhou) Co., Ltd.

Note 16: The purchase prices from third parties were determined in accordance with mutual agreements, and the payment terms to third parties were 30 days.

Note 17: Sanneng Bakeware (Wuxi) Co., Ltd. paid the processing fee to Zinneng Bakeware (Wuxi) Co., Ltd.

Note 18: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation.

3. The amount of property transactions and the amount of the resultant gains or losses: None.
4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.
5. The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.
7. This appendix demonstrates that the amount of important transactions exceeds NT\$10,000 thousand or more.

(Concluded)

**TABLE 7****SAN NENG GROUP HOLDINGS CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Greater Win Holdings Limited	4,061,800	6.68
Beauty Joy Holdings Limited	3,677,400	6.05
Great Flyer Offshore Limited	3,638,200	5.98
Jui Jung International Limited	3,603,200	5.93

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

San Neng Group Holdings Co., LTD.

Chairperson: Chang, Jui-Jung