

**Stock code: 9955**

**Super Dragon Technology Co., Ltd. and Its Subsidiaries**

**Consolidated Financial Statements and Independent Auditor's Report**

**January 1 to December 31, 2023**

**January 1 to December 31, 2022**

Address: No.323, Huanke Rd., Guanyin Dist., Taoyuan City  
Tel.: (03)473-6566

**Consolidated Financial Statements**  
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## Representation Letter

We hereby declare that we have confirmed the companies which shall be included in the consolidated financial statements of the affiliates and the ones which shall be included in the consolidated financial statements in accordance with IFRS 10 are identical; the related information has been disclosed in consolidated financial statements and will hence not be included in consolidated financial statements of the affiliates for the year ended in 2023, (January 1, 2023–December 31, 2023) in accordance with the Criteria Governing Preparation of Affiliation Reports and Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.

Declared by

Super Dragon Technology Co., Ltd.

Person-in-Charge: Chieh-Hsin Wu

March 14, 2024

## Independent Auditors' Report

Super Dragon Technology Co., Ltd. is hereby submitted for your review.

### **Audit opinion**

The Consolidated Balance Sheets of Super Dragon Technology Co., Ltd. and its subsidiaries as of December 31, 2023 and December 31, 2022, and the Consolidated Comprehensive Profit and Loss Statement, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the periods from January 1 to December 31, 2023 and January 1 to December 31, 2022, And the Notes to the Consolidated Financial Statements (including the summary of significant accounting policies) have been verified by the Accountant.

In the opinion of the Accountant based on our audit results and the independent audit reports by others (please refer to the other matter paragraph), the above Consolidated Financial Statements have been prepared in all material respects in accordance with Financial Reporting Standards for Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations and explanatory notices approved and issued in force by the Financial Regulatory Commission. It is sufficient to express the consolidated financial position of Super Dragon Technology Co., Ltd. and its subsidiaries as of December 31, 2023 and December 31, 2022, and the consolidated financial performance and consolidated cash flows of Super Dragon Technology Co., Ltd. from January 1 to December 31, 2023 and January 1 to December 31, 2022.

### **Basis of Audit Opinion**

The Accountant perform the audit work in accordance with Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Audit Standard. The responsibilities of the Accountant under these standards will be further explained in the section of the accountant's responsibilities for checking the financial statements. In accordance with the professional ethics code of accountants, the staff of the firm to which the Accountant belongs has maintained independence from Super Dragon Technology Co., Ltd. and its subsidiaries, and fulfilled other responsibilities under the code. Based on the audit results of our accountants and the audit reports of other accountants, we are of the opinion that sufficient and appropriate audit evidence has been obtained in order to be served as the basis for expressing the audit opinion.

### **Key audit items**

Key audit items refer to the items that are the most important in the audit of the 2023 Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and its subsidiaries in accordance with the professional judgment of the accountant. Such matters have been taken into account in the audit of the consolidated financial statements as a whole and in the formation of the examination opinion, and the Accountant does not express an opinion on such matters alone.

### Recognition of revenue

The operating income of Super Dragon Technology Co., Ltd. and its subsidiaries in 2023 is NT\$1,140,082 thousand, which is material to the Consolidated Financial Statements. Due to the complexity and particularity of the transaction of the environmental protection industry operated by the Group and its sales locations including Taiwan, Hong Kong and other multinational markets, As a result, the time and amount of sales revenue recognition are significantly risky, so the accountant decides to list revenue recognition as its key audit item. The audit procedures of the Accountant include (but are not limited to) understanding various sales models, evaluating the reasonability of accounting policies for revenue recognition related to performance obligations under each model, including reviewing the transaction conditions of the parties, testing the effectiveness of internal controls related to the time point of revenue recognition of performance obligations in the sales cycle, and performing detailed tests on selected samples of sales details, including checking the original orders or sales contracts of major customers and other sales documents, reviewing the transaction conditions and confirming whether the revenue recognition time of each performance obligation is consistent with the performance obligations and satisfaction time set forth in the contract or order, and performing the verification procedures such as sales revenue cut-off test and significant sales return and discount after the review period for a period of time before and after the balance sheet date. The accountant also considers the appropriateness of the disclosure of operating income in Notes 4 and 6 to the Consolidated Financial Statements.

### Valuation of inventories

The net inventory of Super Dragon Technology Co., Ltd. and its subsidiaries as of December 31, 2023 was NT\$346,334 thousand, accounting for 12% of the total assets, which is material to the Consolidated Financial Statements. As most of the inventories are gold, platinum and silver, in addition to the complex management of asset preservation and the need for close control, these precious metals are vulnerable to frequent and large price changes in the international market, and their inventory storage patterns are also diversified. These factors affect the complexity of the calculation of net realization and involved management personnel's judgement. Therefore, the Accountant has determined that valuation of inventory is a key audit item. The audit procedures of the accountant include (but are not limited to) the execution of the evaluation of the inventory plan of the management level, the selection of major inventory items to test the effective implementation of its internal control and the confirmation of inventory quantity and status. Select samples to test and evaluate the net realized value estimated by management personnel for valuation of inventory (including the determination of inventory quantity in process), etc. The accountant also considers the appropriateness of the disclosure of inventory in Notes 5 and 6 to the Consolidated Financial Statements.

### **Other Matters - Audits by other Certified Public Accountants**

Included in the consolidated financial statements of Super Dragon Technology Co., Ltd and its subsidiaries, the financial statements of some of the investees under the equity method have not been audited by us but by other CPAs. Therefore, our opinion on the consolidated financial statements relating to the amounts listed in the financial statements of these investees is based on the reports of other independent auditors. The investment in these investee companies accounted for using the equity method for NT\$172,976 thousand, representing 6% of the consolidated total assets; Between January 1 to December 31, 2023, the share of profit or loss of the affiliated companies and joint ventures accounted for using the equity method was NT\$4,893 thousand, accounting for (6)% of the consolidated net loss before tax. The share of other comprehensive income from affiliated companies recognized using the equity method and from joint ventures was NT\$0 thousand, representing 0% of the consolidated other comprehensive income, net.

## **Responsibilities of management personnel and governance unit for Consolidated Financial Statements**

It is the responsibility of management personnel to prepare Consolidated Financial Statements as may be expressed in accordance with the financial reporting standards of securities issuers and international Financial Reporting Standards, International Accounting Standards, interpretations and explanatory notices approved and issued by the Financial Supervisory Commission, and to maintain the necessary internal control related to the preparation of Consolidated Financial Statements. To ensure that the Consolidated Financial Statements are free from material misrepresentation due to fraud or error.

In preparing the consolidated financial statements, management's responsibility also includes evaluating the ability of Super Dragon Technology Co., Ltd. and its subsidiaries to continue as a going concern, disclosure of related matters, and adoption of a going concern accounting basis, unless management intends to liquidate Super Dragon Technology Co., Ltd. and its subsidiaries or cease business, or no practicable alternative other than liquidation or suspension of business.

The governance unit of Super Dragon Technology Co., Ltd. and its subsidiaries should be responsible for supervising the process of financial reporting.

## **Accountant's responsibilities of auditing the Consolidated Financial Statements**

The purpose of Accountant's audit of the Consolidated Financial Statement is to obtain reasonable assurance as to whether the Consolidated Financial Statement as a whole certain material misrepresentations due to fraud or error, and to issue a verification report. Reasonable assurance is a high degree of assurance, but there is no guarantee that an audit conducted in accordance with the audit standards will detect a material misrepresentation in the consolidated financial statements. Misrepresentation may lead to fraud or error. Misrepresentations of individual amounts or aggregate amounts are considered material if they can reasonably be expected to affect economic decisions made by users of the Consolidated Financial Statements.

The Accountant uses professional judgement and professional skepticism when auditing in accordance with Auditing Standards. The Accountant also performs the following duties:

1. Identify and assess the risk of material misrepresentation due to fraud or error in the Consolidated Financial Statements; Design and implement appropriate responses to the risks assessed; And obtain sufficient and appropriate audit evidence to form a basis for the audit opinion. Because fraud may involve collusion, forgery, willful omission, misrepresentation, or overstepping internal controls, the risk of failing to detect material misrepresentation due to fraud is higher than that due to error.
2. Obtain the necessary understanding of the internal controls relevant to the audit in order to design audit procedures appropriate for the circumstances, provided that the purpose is not to express an opinion on the effectiveness of the internal controls of Super Dragon Technology Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of the accounting policies, and the reasonability of accounting estimate and related disclosure which the management personnel adopted.

4. According to the obtained audit evidence, conclude the appropriateness of management personnel's adoption of the accounting basis for a going concern, and conclude the events or conditions whether there is a material uncertainty about the ability of Super Dragon Technology Co., Ltd. and its subsidiaries to continue as a going concern. In the opinion of the Accountant, if there is material uncertainty of the event and condition, I should alert users of the Consolidated Financial Statements to the relevant disclosure of Consolidated Financial Statements in the audit report or amend the audit opinion if such disclosure is inappropriate. The conclusions of the Accountant is based on the audit evidence available as of audit report date. However, future events or conditions may cause Super Dragon Technology Co., Ltd. and its subsidiaries to no longer be able to continue as a going concern.
5. Evaluate whether the related transaction and events in the overall expression, structure and content of Consolidated Financial Statements (including related Notes), and Consolidated Financial Statements are expressed appropriately.
6. Obtain the adequate and appropriate audit evidence of the consolidated financial information to issue the opinions about the Consolidated Financial Statements. The accountant is responsible for the guidance, supervision and execution of group audit cases, and the formation of group audit opinions.

The matters communicated by the accountant with the governing unit include the planned scope and timing of the audit and significant audit findings (including significant lack of internal control identified during the audit).

The accountant also provides the governing unit with a statement that the personnel of the accounting firm subject to the independence code have complied with the Independence Code of Professional Ethics for Accountants, and communicates with the governing body all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of accountants.

Based on the matters communicated with the governance unit, the Accountant decides the key matters for the audit of the 2023 consolidated financial statements of Super Dragon Technology Co., Ltd and its subsidiaries. The Accountant states such matters in the audit report, unless public disclosure of a particular matter is prohibited by statute, or in very rare circumstances, the Accountant decides not to communicate a particular matter in the audit report because it can reasonably be expected that the negative impact of such communication will outweigh the public interest enhanced.

## **Others**

Super Dragon Technology Co., Ltd. has prepared the Parent Company Only Financial Reports of 2023 and 2022, and the accountant has issued an unqualified opinion plus other matters paragraph and an unqualified opinion audit report, respectively, for reference.

Ernst & Young Accounting Firm

The competent authority approve the public issuance of the Company's financial reports

Audit Document No.: (2014) Jin-Guan-Zheng-Shen-Zi No. 1030025503  
(2022) Jin-Guan-Zheng-Shen-Zi No. 1110348358

Ching-Piao, Cheng

Certified Public Accountant:

Cheng-Wei Lin

March 14, 2024

Super Dragon Technology Co., Ltd. and Its Subsidiaries  
Consolidated balance sheet  
December 31, 2023 and 2022  
(Unit: NT\$ thousand)

Assets			December 31, 2023		December 31, 2022	
Code	Accounting title	Note	Amount	%	Amount	%
	Current asset					
1100	Cash and cash equivalents	4 and 6.1	\$96,281	4	\$185,797	6
1136	Financial assets at amortized cost	4, 6.3, and 8	73,267	3	87,314	3
1150	Notes receivable, net	4 and 6.4	47	-	-	-
1170	Accounts receivable, net	4 and 6.5	28,954	1	29,907	1
1200	Other receivables		528	-	7,282	-
1310	Inventory, net	4 and 6.6	346,334	12	447,366	16
1410	Prepayments		10,492	-	6,649	-
1470	Other current assets		3,373	-	3,014	-
11xx	Total current assets		<u>559,276</u>	<u>20</u>	<u>767,329</u>	<u>26</u>
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income	4 and 6.2	9,333	-	9,333	-
1513	Financial assets at amortized cost	4, 6.3, and 8	593	-	588	-
1550	Investments using the equity method	4 and 6.7	201,531	7	14,684	1
1600	Property, plant and equipment	4, 6.8, and 8	1,900,908	67	1,937,342	68
1755	Right-of-use assets	4, 6.21, and 7	23,838	1	23,523	1
1760	Investment Property	4, 6.9, and 8	57,072	2	59,269	2
1840	Deferred tax assets	4 and 6.25	22,038	1	22,038	1
1900	Other non-current assets	6.10 and 8	50,262	2	35,063	1
15xx	Total non-current assets		<u>2,265,575</u>	<u>80</u>	<u>2,101,840</u>	<u>74</u>
1xxx	Total assets		<u>\$2,824,851</u>	<u>\$100</u>	<u>\$2,869,169</u>	<u>100</u>

(See notes to consolidated financial statements)

Chairman: Chieh-Hsin Wu

Manager: Chieh-Hsin Wu

Chief Accounting Officer: Tse-Hui Chen

Super Dragon Technology Co., Ltd. and Its Subsidiaries  
Consolidated Balance Sheet (continued)  
December 31, 2023 and 2022  
(Unit: NT\$ thousand)

Liabilities and equity			December 31, 2023		December 31, 2022	
Code	Accounting title	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4, 6.11, and 8	\$610,000	22	\$720,000	25
2130	Contract liabilities	4 and 6.19	1,436	-	-	-
2150	Notes payable		-	-	17,320	1
2170	Accounts payable		3,955	-	29,196	1
2200	Other payables	4 and 6.12	44,868	2	42,804	2
2280	Lease liabilities	4 and 6.21	8,155	-	5,743	-
2300	Other current liabilities	4 and 6.13	7,738	-	5,648	-
2320	Long-term borrowings due within one year or one business cycle	6.16	88,689	3	76,689	3
21xx	Total current liabilities		<u>764,841</u>	<u>27</u>	<u>897,400</u>	<u>32</u>
	Non-current liabilities					
2540	Long-term borrowings	6.16 and 8	704,578	25	526,267	18
2570	Deferred tax liabilities	4 and 6.25	5,276	-	5,753	-
2580	Lease liabilities	4 and 6.21	4,921	-	9,460	-
2600	Other non-current liabilities	4, 6.14, and 6.15	32,447	1	33,854	1
25xx	Total non-current liabilities		<u>747,222</u>	<u>26</u>	<u>575,334</u>	<u>19</u>
2xxx	Total liabilities		<u>1,512,063</u>	<u>53</u>	<u>1,472,734</u>	<u>51</u>
31xx	Equity attributable to owners of parent company					
3100	Share capital	6.18				
3110	Common shares		1,032,082	37	1,032,082	36
3200	Capital surplus	6.18	958,405	34	958,405	34
3300	Retained earnings	6.18		-		-
3350	Undistributed earnings (deficit to be offset)		(661,103)	(23)	(579,364)	(20)
3400	Other equity interest		(16,596)	(1)	(14,688)	(1)
3xxx	Total equity		<u>1,312,788</u>	<u>47</u>	<u>1,396,435</u>	<u>49</u>
	Total liabilities and equity		<u>\$2,824,851</u>	<u>100</u>	<u>\$2,869,169</u>	<u>100</u>

(See notes to consolidated financial statements)

Chairman: Chieh-Hsin Wu

Manager: Chieh-Hsin Wu

Chief Accounting Officer: Tse-Hui Chen

Super Dragon Technology Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022  
(Unit: NT\$ thousand, except for earnings per share)

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6.19	\$1,140,082	100	\$1,161,908	100
5000	Operating cost		(1,100,525)	(97)	(1,160,569)	(100)
5900	Gross profit (loss)		39,557	3	1,339	-
6000	Operating expense					
6100	Selling expense		(4,117)	-	(5,507)	-
6200	Administrative expenses		(105,179)	(9)	(92,962)	(8)
6300	Research and development expenses		(4,503)	-	(2,424)	-
6450	Expected credit impairment (loss) gain	4 and 6.20	-	-	-	-
	Total operating expenses		(113,799)	(9)	(100,893)	(8)
6900	Operating loss		(74,242)	(6)	(99,554)	(8)
7000	Non-operating income and expenses					
7010	Other income	6.23	19,134	2	16,873	2
7020	Other gains and losses	6.23 and 10	538	-	4,297	-
7050	Financial costs	6.23	(31,233)	(3)	(20,117)	(2)
7070	Share of profit or loss of associates or joint ventures recognized using the equity method		4,064	-	(316)	-
	Total non-operating income and expenses		(7,497)	(1)	737	-
7900	Net profit (loss) before tax		(81,739)	(7)	(98,817)	(8)
7950	Income tax (expense) benefit	4 and 6.25	-	-	-	-
8200	Net income (loss) for this period		(81,739)	(7)	(98,817)	(8)
8300	Other comprehensive income	6.24				
8310	Items not reclassified to profit or loss					
8311	Remeasurement of the defined benefit plan		-	-	844	-
8360	Items that may be subsequently reclassified to profit or loss					
8361	Exchange differences arising from the translation of the financial statements of foreign operations		(2,385)	-	2,530	-
8399	Income taxes related to components of other comprehensive income		477	-	(506)	-
	Other comprehensive income for this period (net of tax)		(1,908)	-	2,868	-
8500	Total comprehensive income of the current period		<u>\$(83,647)</u>	<u>(7)</u>	<u>\$(95,949)</u>	<u>(8)</u>
8600	Net income (loss) attributable to:					
8610	Owners of the parent company		\$(81,739)	(7)	\$(98,817)	(8)
8620	Non-controlling interests		-	-	-	-
			<u>\$(81,739)</u>	<u>(7)</u>	<u>\$(98,817)</u>	<u>(8)</u>
8700	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$(83,647)	(7)	\$(95,949)	(8)
8720	Non-controlling interests		-	-	-	-
			<u>\$(83,647)</u>	<u>(7)</u>	<u>\$(95,949)</u>	<u>(8)</u>
9750	Basic earnings (losses) per share (NTD)	6.27	<u>\$(0.79)</u>		<u>\$(0.96)</u>	
9850	Diluted earnings (losses) per share (NTD)	6.27	<u>\$(0.79)</u>		<u>\$(0.96)</u>	

(See notes to consolidated financial statements)

Chairman: Chieh-Hsin Wu

Manager: Chieh-Hsin Wu

Chief Accounting Officer: Tse-Hui Chen

Super Dragon Technology Co., Ltd. and Its Subsidiaries

Statement of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Unit: NT\$ thousand)

	Item	Equity attributable to owners of the parent company				Total equity
		Share capital	Capital surplus	Retained earnings	Other equity items	
				Undistributed earnings (deficit to be offset)	Exchange differences arising from the translation of the financial	
Code		3100	3200	3350	3410	3XXX
A1	Balance on January 1, 2022	\$1,032,082	\$958,405	\$(481,391)	\$(16,712)	\$1,492,384
D1	Net loss for 2022			(98,817)		(98,817)
D3	Other comprehensive income for 2022			844	2,024	2,868
Z1	Balance on December 31, 2022	1,032,082	958,405	(579,364)	(14,688)	1,396,435
D1	2023 net loss			(81,739)		(81,739)
D3	Other comprehensive income for 2023			-	(1,908)	(1,908)
Z1	Balance as of December 31, 2023	<u>\$1,032,082</u>	<u>\$958,405</u>	<u>\$(661,103)</u>	<u>\$(16,596)</u>	<u>\$1,312,788</u>

(See notes to consolidated financial statements)

Chairman: Chieh-Hsin Wu

Manager: Chieh-Hsin Wu

Chief Accounting Officer: Tze-Hui Chen

Super Dragon Technology Co., Ltd. and Its Subsidiaries  
Cash Flow Statement  
For the Years Ended December 31, 2023 and 2022  
(Unit: NT\$ thousand)

Code	Item	2023	2022	Code	Item	2023	2022
AAAA	Cash flow of operating activities:			BBBB	Cash flow of investing activities:		
A10000	Net loss before tax	\$(81,739)	\$(98,817)	B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
A20000	Adjustments:			B00060	Decrease (increase) in financial assets at amortized cost	14,042	(1,628)
A20010	Income or expenses that do not affect cash flows:			B01800	Acquisition of investments using the equity method	(191,700)	(15,000)
A20100	Depreciation expenses (including investment property and right-of-use assets)	64,223	60,528	B01900	Disposal of investment under equity method	11,340	-
A20900	Interest expense	31,233	20,117	B02000	Increase in prepayments for investments	(31,255)	-
A21200	Interest income	(3,929)	(1,886)	B02700	Acquisition of property, plant and equipment	(19,260)	(39,960)
A21300	Dividend income	-	(277)	B02800	Disposal of property, plant and equipment	304	47
A22300	Share of profit or loss of associates or joint ventures recognized using the equity method	(4,064)	316	B03800	Decrease (increase) in guarantee deposits paid	14,977	(3,860)
A22500	Gain on disposal of property, plant and equipment	(289)	(47)	BBBB	Net cash inflows (outflows) from investing activities	(201,552)	(66,401)
A23100	Disposal of investment gains	(2,423)	-				
A29900	Government grants	(207)	(207)				
A30000	Changes in assets/liabilities related to operating activities:			CCCC	Cash flow of financing activities:		
A31130	Decrease (increase) in notes receivable	(47)	1,262	C00100	(Repayment of) short-term borrowings	(110,000)	108,027
A31150	Decrease (increase) in accounts receivable	953	(83)	C01600	Long-term borrowings	268,000	82,580
A31180	Decrease (increase) in other receivables	7,011	(118)	C01700	Repayment of long-term borrowings	(77,689)	(112,912)
A31200	Decrease (increase) in inventory, net	101,032	25,795	C03000	Repayment of lease principal	(7,740)	(2,595)
A31230	Decrease (increase) in prepayments	(3,843)	38,304	CCCC	Net cash inflows (outflows) from financing activities	72,571	75,100
A31240	Decrease (increase) in other current assets	(1,617)	672				
A32125	Increase (decrease) in contract liabilities	1,436	-	DDDD	Effects of changes in exchange rates	(1,303)	1,588
A32130	Increase (decrease) in notes payable	(17,320)	3,085				
A32150	Increase (decrease) in accounts payable	(25,241)	(5,922)				
A32180	Increase (decrease) in other payables	1,790	(3,256)	EEEE	Increase (decrease) in cash and cash equivalents during this period	(89,516)	49,393
A32230	Increase (decrease) in other current liabilities	2,090	(238)	E00100	Opening balance of cash and cash equivalents	185,797	136,404
A32240	Increase (decrease) in net defined benefit liability	-	7,765	E00200	Ending balance of cash and cash equivalents	\$96,281	\$185,797
A32250	Increase (decrease) of long-term advance rent received	(1,200)	9,700				
A33000	Cash inflows (outflows) from operations	67,849	56,693				
A33100	Interest received	3,929	1,886				
A33200	Dividends received	-	277				
A33300	Interest paid	(30,753)	(19,903)				
A33500	Income tax refund (payment)	(257)	153				
AAAA	Net cash inflows (outflows) from operating activities	40,768	39,106				

(See notes to consolidated financial statements)

Chairman: Chieh-Hsin Wu

Manager: Chieh-Hsin Wu

Chief Accounting Officer: Tze-Hui Che

Super Dragon Technology Co., Ltd. and Its Subsidiaries  
Notes to Consolidated Financial Statements  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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I. Company History

Super Dragon Technology Co., Ltd. (hereinafter referred to as “the Company”) was approved to be incorporated and registered on December 25, 1996. The original registered company name was "Super Dragon Engineering Co., Ltd." and then renamed “Super Dragon Technology Co., Ltd.” on December 2, 1999. The main business scope includes the collection and treatment of business waste (including general and hazardous) and the trading of copper, lead, zinc, iron, tin, aluminum, gold-plated, silver-plated, and palladium-plated materials, as well as single precious metals (gold, silver, and palladium). The Company's stock has been traded on Taipei Exchange since December 30, 2003 and on Taiwan Stock Exchange since January 21, 2008. Its registered business is located at No.323, Huanke Rd., Datan Vil., Guanyin Dist., Taoyuan City. The main operating sites are located at No. 12, Ronggong South Rd., Caoluo Vil., Guanyin Dist., Taoyuan City and No. 323, Huanke Rd., Datan Vil., Guanyin Dist., Taoyuan City.

II. Approval Date and Procedures of the Consolidated Financial Statements

The 2023 and 2022 consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the “Group”) were released after being approved by the Board of Directors on March 14, 2024.

III. Application of New Standards, Amendments and Interpretations

1. Changes in accounting policies due to the initial application of the IFRSs:

The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations ("IFRSs") that have been endorsed by the FSC and are applicable to the fiscal years beginning on or after January 1, 2023, and the initial application of the newly issued and amended standards and interpretations caused no material impact on the Group.

2. The new or amended IFRSs published by IASB and endorsed by the FSC not yet adopted by the Group:

No.	New, Revised or Amended Standards and Interpretations	Effective Date Announced by the IASB
1	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
2	Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
3	Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
4	Supplier financing arrangement (Amendment to IAS 7 and IFRS 7)	January 1, 2024

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(1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The classification of liabilities as current or non-current in paragraphs 69 to 76 of IAS 1 “Classification of Liabilities as Current or Non-current” was amended.

(2) Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

The amendments are to improve the consistent application of the standard by adding additional accounting treatment for IFRS 16 “Leases” in the seller and lessee’s sales and leaseback.

(3) Amendments to IAS 1 “Non-current Liabilities with Covenants”

The amendments are to enhance the information on long-term liability contracts provided enterprises. It clarifies that the contractual agreement to be followed within 12 months after the end of the reporting period does not affect the classification of such liabilities as current or non-current at the end of the reporting period.

(4) Supplier financing arrangement (Amendment to IAS 7 and IFRS 7)

In addition to adding the description of the supplier's financing arrangement, this amendment also adds the relevant disclosure of the supplier's financing arrangement.

The Group evaluated the new, revised, and amended standards and interpretations that have been published by the IASB and endorsed by the FSC and are applicable to the fiscal years beginning on or after January 1, 2024 and determined that they did not cause any material impact on the Group.

3. Up to the date the financial statements were approved for release, the new or amended IFRSs published by IASB and endorsed by the FSC and not adopted by the Group:

No.	New, Revised or Amended Standards and Interpretations	Effective Date Announced by the IASB
1	Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined by the IASB
2	IFRS 17 Insurance Contracts	January 1, 2023
3	Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

- (1) Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments aim to address the inconsistency regarding the loss of control due to the investment in an associate or a joint venture through a subsidiary between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”. IAS 28 stipulates that when non-monetary assets are invested in exchange for the equity in an associate or a joint venture, the share of the resulting profit or loss shall be eliminated as the treatment method adopted for downstream transactions. IFRS 10 stipulates that the total gain or loss upon loss of control over a subsidiary shall be recognized. The amendments restrict the above requirements of IAS 28: when assets that constitute a business as defined in IFRS 3 are sold or purchased, the total resulting gain or loss shall be recognized.

In the amendments, IFRS 10 was amended so that when an investor sells or invests in a subsidiary (associate or joint venture) that does not constitute a business as defined by IFRS 3, only the profit or loss arising therefrom within the scope not belonging to the investor shall be recognized.

- (2) IFRS 17 Insurance Contracts

This standard provides a comprehensive model of insurance contracts, including all accounting-related elements (recognition, measurement, presentation, and disclosure principles). The core of the standard is a regular model. Under this model, during the initial recognition, the group of insurance contracts are measured at the aggregate amount of fulfillment cash flows and contractual service margins. The carrying amount at the end of each reporting period is the sum of the liabilities for the remaining coverage and the liabilities for incurred claims.

In addition to the regular model, it also provides a specific applicable method for contracts with direct participation features (variable fee approach and a simplified method for short-term contracts) (premium allocation approach).

After this standard was published in May 2017, the amendments were published in 2020 and 2021. In these amendments, the effective date in the transitional provisions will be postponed for two years (that is, from January 1, 2021 postponed through January 1, 2023) with additional exemptions provided, while some regulations are simplified to reduce the cost of adopting this standard, and some regulations are amended to make some scenarios easier to interpret. After this standard becomes effective, it will supersede the transitional provisions (i.e. IFRS 4 “Insurance Contracts”).

- (3) Amendments to IAS 21 “Lack of Exchangeability”

This amendment explains the exchangeability and lack of exchangeability between currencies, and how the exchange rate is determined when the currency lacks exchangeability, and adds additional disclosure requirements when the currency lacks exchangeability. These amendments shall be applicable for the fiscal year beginning after January 1, 2025.

The date of applying the above standards or interpretations that have been published by the IASB but have not yet been endorsed by the FSC shall be subject to the decisions made by the FSC. As per the Group's assessment, the above new or revised standards or interpretations did not impose a significant impact on the Group.

#### IV. Summary of Significant Accounting Policies

##### 1. Statement of compliance

The Group's financial statements for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

##### 2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments at fair value. The consolidated financial statements are presented in thousands of NT dollars (NTD), unless otherwise specified.

##### 3. Overview of consolidation

###### Basis for preparation of consolidated financial statements

When the Company is exposed to variable returns from participation in the entity or has rights to said variable returns, and has the ability to affect such returns through its power over the entity, the Company controls the entity. In particular, the Company controls an investee only when it has the following three elements at the same time:

- (1) Power over an investee (i.e., existing rights that give the current ability to direct the relevant activities);
- (2) Exposed or rights to variable returns from its involvement with an investee; and
- (3) Ability to use that power to affect its number of variable returns.

When the Company directly or indirectly holds less than a majority of an investee's voting rights or similar rights, the Company considers all relevant facts and situations to assess whether it has power over the investee, including:

- (1) Contractual agreements with other holders of voting rights in the investee;
- (2) Rights arising from other contractual agreements;
- (3) Voting rights and potential voting rights.

When the facts and situations indicate that one or more of the three elements are changed, the Company reassesses whether it still has control over the investee.

Each subsidiary is included in the consolidated financial statements from the date of acquisition (i.e., the

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date when the Group gains control) till the date when the Group lost its control over the subsidiary. The accounting period and policies of each subsidiary's financial statements are consistent with those of the parent company. All intra-group account balances, transactions, unrealized gains and losses arising from intra-group transactions and dividends were all eliminated.

Changes in the shareholding in a subsidiary are treated as an equity transaction if the control over the subsidiary is not lost.

Subsidiaries' total comprehensive income is attributable to the owners of the Company and the non-controlling interests, even if it results in losses for non-controlling interests.

If the Group loses control over a subsidiary, then

- (1) The subsidiary's assets (including goodwill) and liabilities are de-recognized;
- (2) The carrying amounts of all non-controlling interests are de-recognized;
- (3) The fair value of the acquisition consideration is recognized;
- (4) The fair value of any investment retained is recognized;
- (5) Reclassify the amount of the item previously recognized by the parent company as other comprehensive income as current profit or loss, or directly transfer to retained earnings in accordance with other IFRSs;
- (6) Recognize the difference generated in the current profit and loss.

The entities in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Main business	Ownership (%)	
			2023.12.31	2022.12.31
The Company	Chang Pwu Industrial Co., Ltd.	Collection of (general and hazardous) business waste	100.00%	100.00%
The Company	Ron Pwu Applied Materials Technology Co., Ltd.	Manufacturing, wholesale, and retail of chemicals and wholesale of recycled materials	100.00%	100.00%
The Company	Super Dragon International Co., Ltd.	Sales of environmental protection devices and mixed hardware waste	100.00%	100.00%
Super Dragon International Co., Ltd.	Super Dragon Environmental Protection Technology (Suzhou) Limited Company	Recycling, production, and sales of various business waste	100.00%	100.00%

#### 4. Foreign currency transactions

The Group's consolidated financial statements are presented in NTD, the Company's functional currency. Each entity within the Group determines its own functional currency and measures its financial statements in the functional currency accordingly.

Transactions in currencies other than an entity's functional currency (i.e. foreign currencies) are recognized at the exchange rates prevailing on the transaction dates. On each balance sheet date, monetary items denominated in foreign currencies are translated at the exchange rate prevailing on that date. Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on that date when the fair value is measured. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rates prevailing on the initial transaction dates.

Except as stated below, exchange differences arising from settlement or translation of monetary items are recognized in profit or loss for the period in which they occur.

- (1) Regarding foreign-currency borrowings incurred to acquire an eligible asset, if the resulting exchange difference is regarded as an adjustment to interest costs, it is part of the borrowing cost and is capitalized as the cost of the asset.
- (2) Foreign-currency items to which IFRS 9 "Financial Instruments" applies are handled in accordance with the accounting policies for financial instruments.
- (3) Regarding monetary items that form part of a reportable entity's net investment in foreign operations, exchange differences arising therefrom are initially recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed of.

When the gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange gain or loss is recognized in other comprehensive income. When the gain or loss on a non-monetary item is recognized in profit or loss, any exchange gain or loss is recognized in profit or loss.

#### 5. Translation of foreign currency financial statements

Each foreign operation of the Group determines its own functional currency and measures its financial statements in the functional currency accordingly. When the parent company only financial statements were prepared, the assets and liabilities of the foreign operations were translated into NTD at the closing exchange rate on the balance sheet date. Income and expense items were translated at the average exchange rates for the period. Any exchange differences arising from translation were recognized in other comprehensive income. When the foreign operations were disposed of, the cumulative exchange differences were previously been recognized in other comprehensive income as an independent component under equity was reclassified from equity to profit or loss when the gains or losses on disposal were recognized. When control, significant influence, or joint control over foreign operations is lost with some equity retained, it is still treated as disposal.

Regarding the partial disposal of a subsidiary with foreign operations (over which the control is not lost),

the cumulative exchange difference recognized in other comprehensive income is adjusted in proportion through "investment using the equity method" and is not recognized in profit or loss. The partial disposal of an associate or a jointly controlled entity with foreign operations (over which the significant influence or joint control is not lost), when part of the disposal includes associates or jointly controlled entities of foreign operating institutions, the cumulative exchange difference is reclassified to profit or loss in proportion.

The goodwill arising from the acquisition of a foreign operation and the adjustment to the fair value of the carrying amounts of its assets and liabilities are regarding as the foreign operation's assets and liabilities and presented in its functional currency.

6. Criteria for classification of current and non-current assets and liabilities

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

- (1) Assets expected to be realized in the normal operating cycle or intended to be sold or consumed;
- (2) Assets held primarily for the purpose of trading;
- (3) Assets expected to be realized within 12 months after the balance sheet date;
- (4) Cash or cash equivalents, excluding assets restricted from being exchanged or used to settle liabilities for at least 12 months after the balance sheet date.

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

- (1) Liabilities expected to be settled in the normal operating cycle;
- (2) Liabilities held primarily for the purpose of trading;
- (3) Liabilities expected to be settled within 12 months after the balance sheet date;
- (4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

7. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term time deposits and investments that are highly liquid and readily convertible into a fixed amount of cash at any time with little risk of value changes (including time deposits within a duration of three months).

8. 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 within the scope of IFRS 9 "Financial Instruments" are measured at fair value upon initial recognition; the transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (except financial assets and financial liabilities classified as at fair value through profit or loss) are added to or subtracted from the fair values of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

The Group classifies financial assets as those subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss based on the two bases below:

- A. The business model for financial asset management
- B. Contractual cash flow characteristics of financial assets

Financial assets at amortized cost

Financial assets that meet both of the following criteria are measured at amortized cost and are recognized in the balance sheet as notes or accounts receivable, financial assets at amortized cost, or other receivables:

- A. Business model for financial asset management: Holding financial assets to collect contractual cash flows.
- B. Contractual cash flow characteristics of financial assets: The cash flow is entirely the payment for principal and the interest on the outstanding principal.

Such financial assets (excluding those for hedging) are subsequently measured at the amortized cost [the amount measured upon initial recognition, less the principal repaid, plus or less the cumulative amortization of the differences between the initial amount and the due amount (using the effective interest approach), with the allowance for losses adjusted]. The gain or loss is recognized in profit or loss upon de-recognition, through the amortization process, or when an impairment gain or loss is recognized.

Interest accrued using an effective interest method (effective interest rate multiplied by the total carrying amount of a financial asset) or based on the situations below is recognized in profit or loss:

- A. In the case of a credit-impaired financial asset purchased or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial asset;
- B. If it is not the case but subsequently becomes credit-impaired, the effective interest rate is multiplied by the amortized cost of the financial asset.

Financial assets at fair value through other comprehensive income

Financial assets that meet both of the following criteria are measured at fair value through other comprehensive income and recognized in the balance sheet as financial assets at fair value through other comprehensive income:

- A. The business model for financial asset management: Collection of contractual cash flows and sales of financial assets.
- B. Contractual cash flow characteristics of financial assets: The cash flow is entirely the payment for principal and the interest on the outstanding principal.

The recognition of relevant gains and losses on such financial assets is specified below:

- A. Before de-recognition or reclassification, except for impairment gains or losses and foreign currency exchange gains or losses that are recognized in profit or loss, such gains or losses are recognized in other comprehensive income.
- B. Upon de-recognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest accrued using an effective interest method (effective interest rate multiplied by the total carrying amount of a financial asset) or based on the situations below is recognized in profit or loss:
  - (a) In the case of a credit-impaired financial asset purchased or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial asset;
  - (b) If it is not the case but subsequently becomes credit-impaired, the effective interest rate is multiplied by the amortized cost of the financial asset.

In addition, regarding equity instruments within the scope of IFRS 9 that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group, upon initial recognition, elects (irrevocably) to recognize the subsequent changes in the fair values thereof in other comprehensive income. The amount recognized in other comprehensive income must not be subsequently reclassified to profit or loss (when such equity instruments are disposed of, it will be included in the cumulative amount of other equity items and directly transferred to retained earnings) and is recognized in the balance sheet as a financial asset at fair value through other comprehensive income. Investment dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Group's investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost are recognized as expected credit losses with an allowance for losses provided. An allowance for losses on an investment in a debt instrument measured at fair value through other comprehensive income is recognized in other comprehensive income without the

carrying amount of the investment reduced.

The Group measures expected credit losses in a way that reflects the following:

- A. An unbiased, probability-weighted amount determined by evaluating each potential outcome
- B. Time value of money
- C. Reasonable and corroborative information related to past events, present conditions, and future economy forecasts (which can be accessed without an excessive cost or investment on the balance sheet date)

The methods of measuring an allowance for losses are specified below:

- A. Measured at 12-month expected credit losses: Including financial assets with the credit risk not increasing significantly since the initial recognition or those with an estimated low credit risk on the balance sheet date. Also, it also includes an allowance for the lifetime expected credit losses during the prior reporting period, without meeting the indicator that the credit risk has significantly increased since the initial recognition on the balance sheet date of this period.
- B. Measured at lifetime expected credit losses: Including financial assets with the credit risk increasing significantly since the initial recognition or credit-impaired financial assets purchased or created.
- C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures an allowance for lifetime expected credit losses.

On each balance sheet date, the Group evaluates whether the credit risk of a financial instrument has increased significantly after the initial recognition by comparing the default risk of the financial instrument on the balance sheet date and the initial recognition date. Please refer to Note 12 for relevant credit risk information.

### (3) Derecognition of financial assets

The Group derecognizes a financial asset held in the case of any of the following circumstances:

- A. The contractual rights to receive the cash flows from the financial asset have expired.
- B. A financial asset is transferred with all the risks and rewards attached to the ownership of the asset substantially transferred to the counterparty.
- C. All the risks and rewards attached to the ownership of the asset are neither substantially transferred nor retained, but the control over the asset is transferred.

When a financial asset as a whole is de-recognized, the difference between its carrying amount and the sum of the consideration received or receivable plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liabilities and equity

Liabilities and equity instruments issued by the Group are classified as financial liabilities or equity as per the substance of the agreement and the definitions of financial liabilities and equity instruments.

Equity instrument

Equity instrument refers to any contract that demonstrates the Group's remaining interest in assets less all of its liabilities. Equity instruments issued by the Group are recognized at the acquisition prices, less the direct issuance cost.

Financial liability

Financial liabilities that fall within the scope of IFRS 9 are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost, including payables and borrowings, are subsequently measured using the effective interest rate method after the initial recognition. When financial liabilities are de-recognized and amortized using the effective interest rate method, the relevant gains or losses and amortizations are recognized in profit or loss.

The amortized cost is calculated with the discount or premium and the transaction cost upon acquisition taken into account.

Derecognition of financial liabilities

When the obligations of financial liabilities are lifted, cancelled, or expire, the financial liabilities are derecognized.

When the Group exchanges debt instruments with materially different terms with a creditor or significantly changes all or part of the terms of the existing financial liabilities (financial difficulties or not), the initial liabilities are derecognized and new liabilities are recognized. When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including the non-cash assets transferred or the liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can only be offset and presented in the balance sheet as a net amount when the recognized amount is legally entitled to be offset with an intension to be settled in

a net amount or realize the asset and settle the liability at the same time.

#### 9. Fair value measurement

Fair value is the price that can be received from a sale of an asset or paid to transfer a liability in an orderly transaction between market participants. It is assumed that the sale of the asset or transfer of the liability takes place in one of the markets below when the fair value is measured:

- (1) The principal market for the asset or liability, or
- (2) If there is no principal market, the most favorable market for the asset or liability.

The principal or most favorable market should be accessible for the Group to trade.

The measurement of the fair value of an asset or a liability serves as an assumption that market participants would adopt when pricing the asset or liability in the in the best economic interest of the market participants.

The fair value of a non-financial asset is measured based on market participants' ability to make the most of or put the asset to the best use or by selling the asset to another market participant who will make the most of or put the asset to the best use to generate economic benefits.

The Group measures the fair value using a valuation technique that is appropriate in relevant situations with sufficient information available and maximizes the use of relevant observable inputs while minimizing the use of unobservable inputs.

#### 10. Inventories

Inventories are valued at the lower of cost or net realizable value with an item-by-item comparison method.

Costs refer to the costs incurred in bringing inventories to a condition and location ready for sale or production.

Raw materials are valued at the actual purchase cost with a weighted average method.

Finished goods and work in process include direct raw materials, labor, and fixed manufacturing overhead apportioned based on normal production capacity, excluding the borrowing costs.

The net realizable value is calculated based on the estimated selling price, less the costs and selling expenses required till completion in the ordinary course of business.

The provision of services is handled in accordance with IFRS 15 outside the scope of inventories.

#### 11. Investments using the equity method

The Group's investments in associates are accounted for using the equity method, except for assets that are classified as assets held for sale. Associates refer to those on which the Group has significant influence.

With an equity method adopted, an investment in an associate recognized in the balance sheet is the amount of cost, plus the amount of the net change in the Group's net assets in the associate after the acquisition in proportion to the Group's shareholding. After the carrying amount of the investment in the associate and other relevant long-term interests are reduced to zero using the equity method, additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of the said associate. Unrealized gains or losses arising from transactions between the Group and its associates are eliminated in proportion to its equity in the associates.

When an associate's equity change does not occur due to an item under profit or loss or other comprehensive income and does not affect the Group's shareholding, the Group recognizes the change in ownership interests in proportion to its shareholding. Therefore, when the associate is subsequently disposed of, the capital surplus recognized is transferred to profit or loss in proportion to the disposal.

In the event of issuance of new shares by an associate, when the Group does not subscribe in proportion to its shareholding, resulting in a change in the proportion of investment and an increase or decrease in the Group's share in the associate's net assets, "capital surplus" and "investments using the equity method" are adjusted accordingly. When the proportion of investment decreases, the relevant items previously recognized in other comprehensive income will be reclassified to profit or loss or other appropriate accounts depending on the percentage of the decrease. When the associate is subsequently disposed of, the above capital surplus recognized is transferred to profit or loss in proportion to the disposal.

Each associate's financial statements are prepared for the same reporting period as the Group's and adjusted to align their accounting policies with the Group's.

At the end of each reporting period, the Group confirms if there is objective evidence indicating any impairment of its investments in associates in accordance with "IAS 28 — Investments in Associates and Joint Ventures". If it is the case, the Group calculates the impairment based on the difference between the recoverable amount and the carrying amount of the associates in accordance with IAS 36 "Impairment of Assets" and recognizes the amount in the profit or loss on the associates. If the value in use of the investment is adopted for the above recoverable amount, the Group determines the relevant values in use based on the estimates below:

- (1) The Group's share of the present value of the estimated future cash flows generated from an associate, including the cash flow generated by the associate due to its operations and the proceeds from the disposal of the investment; or
- (2) The present value of the estimated future cash flows from dividends from the investment that the Group expects to receive and the proceeds from the disposal of the investment.

As the components of goodwill that constitute the carrying amount of an investment in an affiliate are not separately recognized, it is not necessary to apply IAS 36 "Impairment of Assets" regarding the goodwill impairment test.

When the significant influence on an associate is lost, the Group measures and recognizes the retained investment at fair value. When the significant influence is lost, the difference between the carrying amount of the investment in an associate and the fair value of the retained investment, plus the proceeds from the disposal, is recognized in profit or loss. Also, when an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the Group continues to adopt the equity method without re-measuring the retained equity.

## 12. Property, plant and equipment

Property, plant and equipment are accounted for on the basis of acquisition cost and recognized after accumulated depreciation and impairment are deducted. The above costs include the cost of dismantling or removing of property, plant and equipment and restoring the location, and necessary interest expenses arising from unfinished projects. Each component of property, plant and equipment is depreciated separately if it is significant. When a major component of property, plant and equipment needs to be replaced regularly, the Group regards it as an individual asset and recognizes it separately with a specific useful life and a depreciation methods. The carrying amount of the replaced part should be derecognized in accordance with the requirement for derecognition under IAS 16 "Property, Plant and Equipment". If a major examination or repair cost meets the criteria for recognition, it is regarded as a replacement cost and recognized as part of the carrying amount of plant and equipment, while other repair and maintenance expenses are recognized in profit or loss.

Assets below are depreciated on a straight-line basis over the estimated useful lives:

Buildings	1–50 years
Machinery and equipment	1–15 years
Transportation equipment	3–10 years
Office equipment	2–10 years
Leasehold improvements	3–4 years
Other equipment	3–10 years

After the initial recognition of property, plants and equipment or any important component, if it is disposed of or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of property, plants and equipment are assessed at the end of each fiscal year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

### 13. Investment property

The Group's self-owned investment property is initially measured at cost, including transaction cost of the property. The carrying amount of investment property includes the cost of repairing or adding to the existing investment property under the condition that the cost can be recognized; however, the repair or maintenance costs that usually occur on a daily basis are not included as part of the cost. After initial recognition, except for those meeting the criteria for being classified as those held for sale (or included in the disposal group classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"; As per IAS 16 "Property, Plant and Equipment" regarding such a situation, if such an asset is held by the lessee as a right-of-use asset and is not held for sale as per IFRS 5, it is handled in accordance with IFRS 16.

Assets below are depreciated on a straight-line basis over the estimated useful lives:

Buildings	5–30 years
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Investment property is derecognized and recognized in profit or loss when it is disposed of or will never be used again without future economic benefits expected to be generated from the disposal.

The Group decides to transfer an asset in or out of investment property depending on the actual use of the assets.

When a property meets or no longer meets the definition of investment property with evidence showing that the purpose has changed, the Group will reclassify the property as investment property or transfer it out of investment property.

### 14. Leasing

The Group assesses whether or not an arrangement is (or includes) a lease arrangement on the inception of the agreement. If an agreement transfers control over the use of an identified asset for a period of time in exchange for consideration, the agreement is (or includes) a lease arrangement. In order to assess whether the agreement transfers control over the use of the identified asset for a period of time, the Group assesses whether it meets both of the following conditions during the entire period of use:

- (1) Obtaining the right to almost all economic benefits from the use of the identified asset; and
- (2) The right to direct the use of the identified asset.

For the agreement that belongs to (or includes) a lease arrangement, the Group treats each lease component in the agreement as a separate lease and treats it separately from the non-lease component in the agreement. For the agreement that includes one lease component and one or more additional lease or non-lease components, the Group adopts the relative standalone price of each lease component and the aggregate standalone prices of the non-lease components as the basis to distribute the consideration in the agreement to the lease component. The relative standalone prices of lease and non-lease components are determined on the basis of the prices charged by the lessor (or similar suppliers) for the components (or similar components). If an observable standalone price is not readily available, the Group maximizes the use of observable information to estimate the standalone price.

#### The Group as a lessee

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, when the Group is the lessee of a lease contract, all leases are recognized in right-of-use assets and lease liabilities.

The Group measures the lease liabilities on the inception date based on the present value of the lease payments not yet paid on that date. If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used. On the inception date, the lease payments included in the lease liabilities include the following payments related to the right to use the underlying assets during the lease period and not yet paid on that date:

- (1) Fixed payment (including substantive fixed payment) less any lease incentives that can be collected;
- (2) Lease payment that depends on changes in an index or rate (using the index or rate on the inception date for initial measurement);
- (3) The amount expected to be paid by the lessee under the residual value guarantee;
- (4) If the Group can reasonably determine the exercise price of call option, it will exercise the option; and
- (5) The penalty payable for the termination of a lease, if there is sign that the lessee, in the lease period, will exercise the option of terminating the lease.

After the inception date, the Group measures the lease liabilities at amortized cost, and increases the carrying amount of the lease liabilities using the effective interest method to reflect the interest on the lease liabilities; the lease payments reduce the carrying amount of the lease liabilities.

On the inception date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) The monetary amount of the lease liability initially measured;
- (2) Any lease payments made on or before the inception date less any lease incentives received;
- (3) Any initial direct costs incurred by the lessee; and
- (4) An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent measurement of the right-of-use assets is presented after the cost less the accumulated depreciation and accumulated impairment loss, i.e. the cost model is applied to measure the right-of-use assets.

If the ownership of the underlying asset is transferred to the Group when the lease period expires, or if the cost of the right-of-use assets reflects that the Group will exercise the call option, the right-of-use assets will be depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use assets from the inception date to the end of the useful life of the right-of-use assets or to the expiration of the lease period, whichever is earlier.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and to deal with any identified impairment losses.

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, the Group presents right-of-use assets and lease liabilities in the balance sheet, and presents lease-related depreciation expenses and interest expenses separately in the statement of comprehensive income.

For short-term leases and leases of low-value underlying assets, the Group chooses to adopt the straight-line basis or another systematic basis to recognize the lease payments related to said leases in expenses over the lease term.

#### The Group as a lessor

The Group classifies each of its leases as operating leases or financial leases on the contract inception date. If a lease transfers almost all the risks and rewards attached to the ownership of the underlying asset, it is classified as a financial lease; if it does not transfer said matters, it is classified as an operating lease. On the inception date, the Group recognizes the assets held under the finance leases in the balance sheet and presents them as financial lease receivables based on the net lease investment.

For agreements that include lease components and non-lease components, the Group applies IFRS 15 to distribute the consideration in the agreements.

The Group recognizes lease payments from operating leases as rental income on a straight-line basis or another systematic basis. For operating leases, lease payments that are not dependent on change in some index or rate are recognized as rental income when they occur.

#### 15. Impairment of non-financial assets

The Group at the end of each reporting period assesses whether all assets subject to IAS 36 “Impairment of Assets” are showing signs of impairment. If there is any indication of impairment or an impairment test is required for an asset on a regular basis each year, the Group tests the individual asset or the cash-generating unit to which the asset belongs. If the carrying amount of an asset or the cash-generating unit to which the asset belongs is greater than the recoverable amount in an impairment test, the impairment loss is recognized. The recoverable amount is the higher of the net fair value or value in use.

At the end of each reporting period, the Group assesses assets other than goodwill to see whether there are indications that the previously recognized impairment losses may no longer exist or may be decreased. In the event of such an indication, the Group estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount is increased due to the change in the estimated service potential of the asset, the impairment amount is reversed.

However, the reversed carrying amount shall not exceed that before recognizing impairment loss and after deducting depreciation or amortization.

The impairment loss and reversal amount of the continuing operations are recognized in profit or loss.

#### 16. Revenue recognition

The Group's revenue from customer contracts mainly includes the sales of goods and provision of services. The accounting treatments are specified below:

##### Merchandise sales

The Group manufactures and sells merchandise and recognizes revenue when the promised merchandise are delivered to a client and the customer client the control over it (i.e., the client's ability to guide the use of the merchandise and obtain almost all the remaining benefits of the merchandise). Its main products are precious metals, and the sales are recognized in revenue at the prices stated in the contracts.

The credit period of the Group's merchandise sold is T/T-120 days. Most contracts are recognized as accounts receivable when the control of the merchandise is transferred with an unconditional right to receive consideration. These accounts receivable are usually short-term and do not contain significant financial components. A small number of contracts, for which the merchandise has been transferred to a client but the Group has not had the right to unconditionally receive the consideration, are recognized as contract assets. Meanwhile, contract assets should be measured as an allowance for lifetime expected credit losses in accordance with IFRS 9.

##### Provision of services

The Group mainly provides cleaning and processing services. Such services are individually priced or negotiated and are provided on the basis of the contract period. As the Group provides cleaning and processing services during the contract period, a client will obtain the benefits from such services during the contract period, which is a performance obligation to be satisfied at a certain point in time. Thus, the provision of services is recognized as revenue at one go once it is completed.

Most of the Group's agreed payments per contract are collected in a lump sum during the contract period after the cleaning and processing services are provided. When the services has been transferred to a client but the Group has not had the right to unconditionally receive the consideration, it is recognized as a contract asset. However, regarding some contracts, as part of the consideration is collected from the clients at the time of signing contracts, the Group assumes the obligation to provide services in the future; thus,

such contracts are recognized as contract liabilities.

The period during which the Group's above contractual liabilities are transferred to revenue usually does not exceed one year and does not result in significant financial components.

#### 17. Borrowing costs

Borrowing costs that can be directly attributable to the acquisition, construction, or production of qualified assets are capitalized as part of the costs of the assets. All other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing costs include interest and other costs incurred in relation to borrowings.

#### 18. Government grants

The Group recognizes an amount in government grants when it is reasonably sure that it will meet the conditions set by the government for such grants and can receive the inflow of economic benefits from the government grants. When a grant is related to assets, the government grants are recognized in deferred income and recognized in income in installments over the estimated useful lives of the relevant assets. When a government grant is related to an expense, the grant is recognized in income in a reasonable and systematic manner for a period in which relevant costs are expected to be incurred.

When the Group receives a non-monetary government grant, the asset and grant received are recognized at the nominal amount, and the income is recognized in the statement of comprehensive income in equal installments over the estimated useful lives of the underlying assets based on the benefit consumption pattern. The loans with interest rates lower than the market level or similar supports obtained from the government or relevant institutions are regarded as additional government grants.

#### 19. Post-employment benefit plan

The pension plan for the Company and domestic subsidiaries' employees applies to all full-time employees. The employee pension fund is fully contributed to the Labor Pension Reserves Committee and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Labor Pension Reserves Committee, which is completely separated from the Group, so it is not included in the consolidated financial statements in the preceding paragraph. The pension plans for employees at overseas subsidiaries and branches are handled in accordance with local laws and regulations.

For the defined contribution pension plan, the monthly pension payable rate of the Company and domestic subsidiaries shall not be less than 6% of the employees' monthly salary, and the amount of the provision shall be recognized as current expenses; overseas subsidiaries and branches make contributions at specified local rates and recognize them as current expenses.

The post-employment benefit plan that is a defined benefit plan is accounted for using the projected unit benefit method based on an actuarial report on the end date of the annual reporting period. The remeasurement of the net defined benefit liabilities (assets) includes any movements in the return on the plan asset and the effects of asset cap, less the amount of net interest included in the net defined benefit

liabilities (assets) and actuarial gains and losses.

The net defined benefit liability (asset) remeasurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings. Past service cost, which is the change in the present value of the defined benefit obligation, results from a plan amendment or curtailment and is recognized as an expense at the earlier of the following dates:

- (1) When a plan amendment or curtailment occurs; or
- (2) When the Company and domestic subsidiaries recognize relevant restructuring costs or termination benefits.

The net interest on the net defined benefit liability (asset) is determined with the net defined benefit liability (asset) multiplied by the discount rate, both determined at the beginning of the annual reporting period, and based on any changes in net defined benefit liability (asset) due to contributions and benefit payments during the period.

## 20. Income taxes

Income tax expenses (income) refer to the sum related to current income tax and deferred tax included in the current profit or loss.

### Current income tax

The current income tax liabilities (assets) related to this and the prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

A surtax of the profit-seeking enterprise income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the shareholders' meeting.

### Deferred tax

The deferred tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the carrying amount on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred tax liabilities except for the following two items:

- (1) The initial recognition of goodwill, or the initial recognition of an asset or liability that does not arise from a business combination and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted; and it does not give rise to equivalent taxable and deductible temporary differences at the time of transaction conducted;
- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint

ventures. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future;

Except for the following two items, deductible temporary difference and deferred tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

- (1) For the deductible temporary differences arising from the initial recognition of an asset or liability that does not arise from a business combination and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted; and it does not give rise to equivalent taxable and deductible temporary differences at the time of transaction conducted;
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and interests in joint ventures. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred tax assets are reexamined and recognized at the end of each reporting period.

Deferred tax assets and liabilities can be legally offset against each other only in the current period, and the deferred tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

#### V. Significant Accounting Assumptions and Judgment, And Major Sources of Estimation Uncertainty

When the consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosures of income, expenses, assets, and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

##### 1. Estimation and assumption

The main source of information on the estimation and assumption with uncertainty at the end of the reporting period has significant risks that result in significant adjustments to the carrying amounts of assets and liabilities in the next fiscal year. The explanations are given as follows:

- (1) Fair values of financial instruments

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When the fair values of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported. Please refer to Note 12 for details.

(2) Valuation of inventories

The net realizable value is calculated based on the estimated selling price, less the costs and selling expenses required until the completion in the ordinary course of business. Such estimates are based on the market conditions and historical sales experience of similar products, and changes in the market conditions may significantly influence the results of such estimates.

(3) Income taxes

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax income and expenses to be adjusted in the future. The recognition of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Group operates. The amount recognized is based on different factors, such as previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Group operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, as well as the future tax planning strategy. Please refer to Note for the Group's unrecognized deferred tax assets as of December 31, 2023.

VI. Description of significant account titles

1. Cash and cash equivalents

	2023.12.31	2022.12.31
Cash on hand and petty cash	\$93	\$119
Checking and demand deposits	96,188	177,178
Time deposits	-	8,500
Total	<u>\$96,281</u>	<u>\$185,797</u>

2. Financial assets at fair value through other comprehensive income

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	2023.12.31	2022.12.31
Investments in equity instruments measured at fair value through other comprehensive income -		
Non-current:		
Unlisted stocks	\$9,333	\$9,333

The Group's financial assets at fair value through other comprehensive income were not provided as collateral.

3. Financial assets at amortized cost

	2023.12.31	2022.12.31
Restricted cash in banks	\$73,860	\$87,902
Current	\$73,267	\$87,314
Non-current	\$593	\$588

Please refer to Note 8 for the details of collateral provided by the Group for financial assets at amortized cost.

4. Notes receivable

	2023.12.31	2022.12.31
Notes receivable arising from operations	\$47	\$-
Less: Allowance for losses	-	-
Total	\$47	\$-

The Group did not provide notes receivable as collateral.

The Group evaluated impairment losses in accordance with IFRS 9. See Note 6.20 for information on allowances for losses and Note 12 for information on credit risks.

5. Accounts receivable, net

The details of accounts receivable, net, are as follows:

	2023.12.31	2022.12.31
Accounts receivable	\$28,954	\$29,907
Less: Allowance for losses	-	-
Total	\$28,954	\$29,907

The Group did not provide accounts receivable as collateral.

The Group's credit period for clients is usually T/T to 120 days after the end of a month. The total carrying

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amounts as of December 31, 2023 and 2022 were NT\$28,954 thousand and NT\$29,907 thousand, respectively. Please refer to Note 6.20 for the information on an allowance for losses and Note 12 for the information on credit risks for the years ended December 31, 2023 and 2022.

6. Inventories

(1) The details of inventories are as follows:

	2023.12.31	2022.12.31
Raw materials	\$80,751	\$157,877
Work in progress	109,511	236,331
Finished goods	156,072	53,158
Total	<u>\$346,334</u>	<u>\$447,366</u>

(2) Inventory costs recognized as expenses for 2023 and 2022 by the Group were NT\$1,100,525 thousand and NT\$1,160,569 thousand, respectively, including NT\$(4,806) thousand and NT\$(1,016) thousand for gains on inventory value recovery.

Due to factors, such as fluctuations in international prices of precious metals, the Group's net realizable values of inventories recovered, thus leading to gains on inventory value recovery in 2023 and 2022.

(3) The above inventories were not provided as collateral.

7. Investments using the equity method

The details of the Group's investments using the equity method are as follows:

	2023.12.31		2022.12.31	
Investee	amount	Shareholding	amount	Shareholding
Investment in associates:				
Pau Hz Energy Corp.	\$14,150	30.00%	\$14,684	30.00%
Forcera Materials Co., Ltd.	172,976	22.27%	-	-%
Pau Dragon Energy Corp.	14,405	49.00%	-	-%
Total	<u>\$201,531</u>		<u>\$14,684</u>	

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(1) The information on affiliates important to the Group is as follows:

- ① Name of company: Forcera Materials Co., Ltd.
- ② Principal place of business (country of registration): Taiwan
- ③ In January 2023, the Company acquired 5,000,000 shares in Forcera Materials Co., Ltd. from non-related parties with an investment amount of NT\$150,000 thousand, and appointed experts to appraise the value of the shares and independent accountants to express their opinions on the reasonability of the price before making the transaction.
- ④ The Company's subsidiary Chang Pwu Industrial Co., Ltd. acquired a total of 600,000 shares of Forcera Materials Co., Ltd. from a non-related party in May 2023 for an investment amount of NT\$18,000 thousand.

The Company's subsidiary Ron Pwu Applied Materials Technology Co., Ltd. acquired a total of 300,000 shares of Forcera Materials Co., Ltd. from a non-related party in May 2023 for an investment amount of NT\$9,000 thousand.

Forcera Materials Co., Ltd. processed for capitalization of earnings on July 18, 2023. After the allotment of shares for the Company and its subsidiaries Chang Pwu Industrial Co., Ltd. and Ron Pwu Applied Materials Technology Co., Ltd., a total of 5,600,000 shares were held, and each of them holding 672,000 shares and 336,000 shares of Forcera Materials Co., Ltd., respectively.

The Company had a total of 225,000 shares disposed of on December 18, 2023 for NT\$7,851 thousand.

The Company's subsidiary Chang Pwu Industrial Co., Ltd. held a total of 100,000 shares of Forcera Materials Co., Ltd. on December 18, 2023 for a disposal amount of NT\$3,489 thousand.

The Group has significant influence on Forcera Materials Co., Ltd. by acquiring the seats on the board of directors and considers it as an affiliated company.

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- ⑤ The summarized financial information and the reconciliation to the book value of the investment are as follows:

	2023.12.31
Current assets	\$349,775
Non-current assets	353,910
Current liabilities	(146,759)
Non-current liabilities	(114,846)
Equity	442,080
Shareholding ratio of the Group	22.27%
Subtotal	98,473
Acquisition at a premium	77,622
Changes in shareholding ratio	(3,119)
Book value of investments	\$172,976
	2023.01.01
	~2023.12.31
Operating revenue	\$563,365
Net profit from continuing operations of the current period	22,176
Other comprehensive income	-
Comprehensive income of the current period	22,176

- (2) The information on affiliates that are not material to the Group is as follows:

- ① The subsidiary of the Company, Chang Pwu Industrial Co., Ltd., established “Pau Hz Energy Corp.” with Pau Energy Storage Corp. through joint venture according to the resolution of the board of directors on January 5, 2022. The investment was NT\$15,000 thousand, and 30% of equity was acquired on May 18, 2022.
- ② On August 9, 2023, the Board of Directors decided to participate in the cash capital increase of Pau Dragon Energy Corp. with an investment amount of NT\$14,700 thousand and acquired 49% of the equity on October 27, 2023.
- ③ The investments accounted for using equity method were NT\$28,555 thousand and NT\$14,684 thousand, respectively, as of December 31, 2023 and 2022. The share of profit or loss of the affiliated company and joint venture recognized under the equity method were NT\$(829) thousand and NT\$(316) thousand, respectively, for the same period, based on the financial statements of the investee companies for the same period that have been audited by the accountant.

- (3) None of the above investments using the equity method was provided as collateral or pledged.

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8. Property, plant and equipment

(1) Property, plant and equipment for self-use

	Land	Buildings	Machinery and equipment	Office equipment	Transportat ion equipment	Other equipment	Leasehold improvements	Unfinished construction work and equipment to be accepted	Total
Costs:									
2023.01.01	\$405,610	\$1,624,909	\$219,120	\$21,354	\$24,397	\$146,095	\$2,248	\$35,328	\$2,479,061
Additions	-	1,556	1,746	827	-	3,649	128	5,837	13,743
Disposal	-	(4,400)	(1,183)	-	-	(121)	-	-	(5,704)
Reclassification	-	36,052	11,510	-	-	(3,290)	-	(36,196)	8,076
Effects of changes in exchange rates	-	(2,000)	(52)	-	(18)	(110)	-	(396)	(2,576)
2023.12.31	<u>\$405,610</u>	<u>\$1,656,117</u>	<u>\$231,141</u>	<u>\$22,181</u>	<u>\$24,379</u>	<u>\$146,223</u>	<u>\$2,376</u>	<u>\$4,573</u>	<u>\$2,492,600</u>
2022.01.01	\$405,610	\$1,615,100	\$218,608	\$19,810	\$24,945	\$77,724	\$2,248	\$42,701	\$2,406,746
Additions	-	2,867	455	1,239	-	8,609	-	22,085	35,255
Disposal	-	-	-	-	(562)	-	-	-	(562)
Reclassification	-	5,298	-	305	-	59,673	-	(29,697)	35,579
Effects of changes in exchange rates	-	1,644	57	-	14	89	-	239	2,043
2022.12.31	<u>\$405,610</u>	<u>\$1,624,909</u>	<u>\$219,120</u>	<u>\$21,354</u>	<u>\$24,397</u>	<u>\$146,095</u>	<u>\$2,248</u>	<u>\$35,328</u>	<u>\$2,479,061</u>
Depreciation and impairment:									
2023.01.01	\$-	\$281,416	\$179,345	\$18,775	\$17,878	\$42,727	\$1,578	\$-	\$541,719
Depreciation	-	37,305	7,328	967	1,974	9,678	89	-	57,341
Disposal	-	(4,400)	(1,123)	-	-	(166)	-	-	(5,689)
Effects of changes in exchange rates	-	(1,506)	(51)	-	(15)	(107)	-	-	(1,679)
2023.12.31	<u>\$-</u>	<u>\$312,815</u>	<u>\$185,499</u>	<u>\$19,742</u>	<u>\$19,837</u>	<u>\$52,132</u>	<u>\$1,667</u>	<u>\$-</u>	<u>\$591,692</u>
2022.01.01	\$-	\$244,091	\$172,132	\$17,431	\$16,456	\$32,872	\$1,505	\$-	\$484,487
Depreciation	-	36,218	7,168	1,344	1,975	9,780	73	-	56,558
Disposal	-	-	-	-	(562)	-	-	-	(562)
Effects of changes in exchange rates	-	1,107	45	-	9	75	-	-	1,236
2022.12.31	<u>\$-</u>	<u>\$281,416</u>	<u>\$179,345</u>	<u>\$18,775</u>	<u>\$17,878</u>	<u>\$42,727</u>	<u>\$1,578</u>	<u>\$-</u>	<u>\$541,719</u>
Net carrying amount:									
2023.12.31	<u>\$405,610</u>	<u>\$1,343,302</u>	<u>\$45,642</u>	<u>\$2,439</u>	<u>\$4,542</u>	<u>\$94,091</u>	<u>\$709</u>	<u>\$4,573</u>	<u>\$1,900,908</u>
2022.12.31	<u>\$405,610</u>	<u>\$1,343,493</u>	<u>\$39,775</u>	<u>\$2,579</u>	<u>\$6,519</u>	<u>\$103,368</u>	<u>\$670</u>	<u>\$35,328</u>	<u>\$1,937,342</u>

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(1) The major components of the Group's buildings are main buildings and ancillary equipment and are depreciated over their useful lives of 5 to 50 years and 1 to 33 years, respectively.

(2) Please refer to Note 8 for the property, plant and equipment provided as collateral.

9. Investment Property

Investment property includes that owned by the Group. The Group signed a commercial property lease contract on its own investment property over a lease term of ten years. The lease contract includes a clause on the rent adjustment with the market situation per year.

	Land	Buildings	Total
Costs:			
2023.01.01	\$38,245	\$73,738	\$111,983
Transfer-in from property, plant and equipment	-	-	-
2023.12.31	<u>\$38,245</u>	<u>\$73,738</u>	<u>\$111,983</u>
2022.01.01	\$38,245	\$73,738	\$111,983
Transfer-in from property, plant and equipment	-	-	-
2022.12.31	<u>\$38,245</u>	<u>\$73,738</u>	<u>\$111,983</u>
Depreciation and impairment:			
2023.01.01	\$-	\$52,714	\$52,714
Depreciation during this period	-	2,197	2,197
2023.12.31	<u>\$-</u>	<u>\$54,911</u>	<u>\$54,911</u>
2022.01.01	\$-	\$50,509	\$50,509
Depreciation during this period	-	2,205	2,205
2022.12.31	<u>\$-</u>	<u>\$52,714</u>	<u>\$52,714</u>
Net carrying amount:			
2023.12.31	<u>\$38,245</u>	<u>\$18,827</u>	<u>\$57,072</u>
2022.12.31	<u>\$38,245</u>	<u>\$21,024</u>	<u>\$59,269</u>

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	2023	2022
Rental income from investment property	\$10,122	\$9,360
Less: Direct operating expenses from investment property that generates rental income in this period	(2,197)	(2,205)
Total	\$7,925	\$7,155

Please refer to Note 8 for the investment property provided as collateral.

The investment property held by the Group is not measured at fair value with only the fair value information disclosed, and its fair value belongs to Level 3 fair value. The fair values of the investment property held by the Group were NT\$65,136 thousand and NT\$65,692 thousand as of December 31, 2023 and 2022, respectively. The above fair values were assessed by the Company using the income approach.

10. Other non-current assets

	2023.12.31	2022.12.31
Prepayments for business facilities	\$6,048	\$8,385
Guarantee deposits paid	11,701	26,678
Prepaid investments	31,255	-
Other assets	1,258	-
Total	\$50,262	\$35,063

11. Short-term borrowings

	Interest rate range (%)	2023.12.31	2022.12.31
Unsecured borrowings	2.18%	\$-	\$400,000
Secured borrowings	1.70%~2.47%	610,000	320,000
Total		\$610,000	\$720,000

As of December 31, 2023 and 2022, the Group's unused short-term borrowings were about NT\$40,000 and NT\$0 thousand, respectively.

Secured borrowings from banks are secured by property and factory buildings. Please refer to Note 8 for details of the collateral.

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12. Other payables

	2023.12.31	2022.12.31
Expenses payable	\$18,072	\$16,282
Balance payable - machinery and equipment	26,796	26,522
Total	<u>\$44,868</u>	<u>\$42,804</u>

13. Other current liabilities

	2023.12.31	2022.12.31
Business tax payable	\$4,136	\$3,665
Others	3,602	1,983
Total	<u>\$7,738</u>	<u>\$5,648</u>

14. Other non-current liabilities

	2023.12.31	2022.12.31
Pension payable	\$12,419	\$12,419
Guarantee deposits received	2,250	2,250
Long-term rents collected in advance	8,500	9,700
Long-term unearned revenue	9,278	9,485
Total	<u>\$32,447</u>	<u>\$33,854</u>

15. Unearned revenue

(1) Government grants

	2023	2022
Opening balance	\$9,485	\$9,692
Government grants received during this period	-	-
Recognized in profit or loss	(207)	(207)
Ending balance	<u>\$9,278</u>	<u>\$9,485</u>
	2023.12.31	2022.12.31
Unearned revenue related to assets - non-current	<u>\$9,278</u>	<u>\$9,485</u>

- (2) To facilitate the development of the environmental protection industry, the Taoyuan City Government has signed the Taoyuan Environmental Science and Technology Park Subsidy contract with the Company and a subsidiary. After the Company and the subsidiary has acquired the land, the entity will provide the Company and the subsidiary with the first installments of the subsidy of

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NT\$10,354 thousand and NT\$322 thousand, respectively, to facilitate the industry development. The amounts were recognized as long-term unearned revenue, and after the construction of the plant is completed, the amounts will be recognized as government grants in installments over the useful life of the plant.

16. Long-term borrowings

The details of the Group's long-term borrowings as of December 31, 2023 and 2022 are as follows:

Creditor	Nature of borrowings	Due year	Interest rate (%)	Amount of borrowings 2023.12.31	Repayment method
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.01.31~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	\$43,269	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.04.08~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	46,154	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.04.24~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	28,846	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.06.24~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	27,692	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2014.04.23~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	34,327	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2014.09.01~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	66,923	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2014.09.17~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	28,846	Note 1
Taishin International Bank Co. Ltd. - Jianbei Branch	Secured borrowings	2023.11.30~ 2026.11.30	Fixed interest rate of 2.4%	247,000	Note 2
Bank SinoPac - Taoyuan Branch	Secured borrowings	2022.01.21~ 2029.01.21	Bank SinoPac's time deposit floating interest rate + 1.035%	17,532	Note 3
Bank SinoPac - Taoyuan Branch	Secured borrowings	2022.01.21~ 2029.01.21	Bank SinoPac's time deposit floating interest rate + 1.035%	22,678	Note 3
Sunny Bank - Taoyuan Branch	Secured borrowings	2023.03.23~ 2026.03.23	Sunny Bank's time deposit floating interest rate + 0.82%	230,000	Note 4
Total				793,267	
Less: Due within one year				(88,689)	
Due beyond one year				\$704,578	

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Creditor	Nature of borrowings	Due year	Interest rate (%)	Amount of borrowings 2022.12.31	Repayment method
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.01.31~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	\$54,808	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.04.08~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	58,462	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.04.24~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	36,538	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2013.06.24~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	35,077	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2014.04.23~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	43,481	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2014.09.01~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	84,769	Note 1
Bank of Taiwan - Longtan Branch	Secured borrowings	2014.09.17~ 2027.09.18	Bank of Taiwan's time deposit floating interest rate + 0.105%	36,538	Note 1
Taishin International Bank Co. Ltd. - Jianbei Branch	Secured borrowings	2021.12.29~ 2024.12.29	Fixed interest rate of 1.49%	210,000	Note 2
Bank SinoPac - Taoyuan Branch	Secured borrowings	2022.1.21~ 2029.1.21	Fixed interest rate of 1.85%	18,871	Note 3
Bank SinoPac - Taoyuan Branch	Secured borrowings	2022.1.21~ 2029.1.21	Fixed interest rate of 1.85%	24,412	Note 3
Total				602,956	
Less: Due within one year				(76,689)	
Due beyond one year				\$526,267	

Note 1: The loan will be disbursed in installments within one year after the borrowing date with a grace period of two years. During the grace period, the interest will be accrued and collected on a monthly basis. After the end of the grace period, the principal will be amortized per month in 156 installments, and the interest will still be accrued and collected per month.

Note 2: After the contract is signed, the term is three years. The bank will check if the Company's financial ratios meet the standard per quarter as the basis for renewal of the contract. The interest is paid monthly, and the principal will be settled in one lump sum once the loan is due.

Note 3: After the contract is signed, the term is seven years, and the interest is paid monthly, and the principal is amortized in 180 installments.

Note 4: After the contract is signed, the term is three years, and the interest is paid monthly, and the principal is repaid in one lump sum upon maturity.

The Company used partial land, buildings and other equipment as the first mortgage to secure the loans from the Bank of Taiwan, Taishin International Bank, and Bank SinoPac. See Note 8 for details of the collateral.

17. Post-employment benefit plan

Defined contribution plan

The Company and domestic subsidiaries' employee retirement plan stipulated in accordance with the Labor Pension Act is a defined contribution plan. According to the Act, the Company and domestic subsidiaries' monthly labor pension contribution rate shall not be less than 6% of employees' monthly salary. The Company and domestic subsidiaries makes a monthly contribution equivalent to 6% of the employees' monthly salary to the personal pension account with the Bureau of Labor Insurance.

Subsidiaries in mainland China make a monthly contribution to the pension insurance fund at a certain percentage of the total employee salary to each employee's account managed by relevant government departments in accordance with local government laws and regulations.

The amount of expenses of the defined contribution pension plan recognized by the Group for 2023 and 2022 was NT\$2,062 thousand and NT\$2,154 thousand, respectively.

Defined benefit plan

The defined benefit pension regulations established by the Company and domestic subsidiaries in accordance with the provisions of the Labor Standards Act, are a defined benefit plan. The employee pension is calculated based on the number of units granted according to the length of service and the approved monthly average salary at the time of retirement. Two units are granted for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company makes a contribution equal to 2% of the total salaries per month as a pension fund and deposit it in the account in the name of the Labor Pension Funds Supervisory Committee with the Bank of Taiwan. In addition, the Company assess the balance in the aforementioned labor pension reserve account at the end of per year. If the account balance is insufficient to pay the pension calculated with the aforementioned method to the employees who are expected to qualify for retirement in the following year, the Company will make a contribution to make up for the difference by the end of March of the following year.

The Ministry of Labor allocates the assets accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment using the fund is made by its own and by a brokerage and managed actively and passively according to the medium- and long-term investment strategies. Considering market, credit, liquidity, and other risks, the Ministry of Labor has set fund risk limits and control plans to flexibly achieve the target return without the need to take an excessive risk. For the use of this fund, the minimum income from the annual final accounts should not be lower than the income calculated at the local bank's interest rate for two-year time deposits. If there is any shortage, it should be made up by the national treasury after approval by the competent authority. As

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the Company has no right to participate in the operation and management of the fund, it is unable to disclose the fair values of the plan assets classified in accordance with paragraph 142 of IAS 19.

Chang Pwu Industrial Co., Ltd. applied to the Taoyuan City Government on September 6, 2022 to settle the fund under the old pension scheme and get back the labor retirement reserve; and received an approval letter from the Department of Labor, Taoyuan City Government, on December 29, 2022, then a letter and a retirement reserve check from the Trust Department, Bank of Taiwan, on January 9, 2023. The income has been recognized under other income in the consolidated statement of comprehensive income.

The table below summarizes the costs of the defined benefit plan recognized in profit or loss:

The Company applied to the Taoyuan City Government on June 23, 2022 to settle the fund under the old pension scheme and get back the labor retirement reserve; and received an approval letter from the Department of Labor, Taoyuan City Government, on September 14, 2022, then a letter and a retirement reserve check from the Trust Department, Bank of Taiwan, on September 22, 2022. The income has been recognized under other income in the consolidated statement of comprehensive income.

	2022
Current service cost	\$20
Interest cost	110
Estimated return on plan assets	(62)
Total	<u>\$68</u>

The reconciliation of the present value of the defined benefit obligation and the fair value of plan assets is as follows:

	2022.12.31
Present value of the defined benefit obligation	\$12,419
Fair value of plan assets	-
Other non-current liabilities - net defined benefit liabilities (assets) recognized	<u>\$12,419</u>

Reconciliation of net defined benefit liabilities (assets)

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2022.01.01	\$12,597	\$(14,220)	\$(1,623)
Current service cost	-	20	20
Interest expense (income)	110	(62)	48
Subtotal	<u>110</u>	<u>(42)</u>	<u>68</u>
Remeasurement of defined benefit liabilities (assets):			
Actuarial gain or loss on changes in	-	-	-

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	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
demographic assumptions			
Actuarial gain or loss on changes in financial assumptions	(240)	-	(240)
Experience adjustments	(48)	-	(48)
Remeasurement of defined benefit assets	-	(556)	(556)
Subtotal	(288)	(556)	(844)
Pension estimated to be recovered	-	7,127	7,127
Employer's contribution	-	(71)	(71)
Others	-	7,762	7,762
2022.12.31	\$12,419	\$-	\$12,419

The main assumptions below are used to determine the Group's defined benefit plan:

	2022.12.31
Discount rate	1.48%
Expected salary increase	1.00%

Sensitivity analysis for each major actuarial assumption:

	2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation
Increase in discount rate by 0.5%	\$-	\$(1,052)
Decrease in discount rate by 0.5%	1,154	-
Expected salary increase by 0.5%	1,154	-
Expected salary decrease by 0.5%	-	(1,062)

The sensitivity analysis above is based on the impact of a single assumption (e.g., discount rate or expected salary) which changed while the other conditions remain unchanged on the defined benefit obligation. As some actuarial assumptions are related to each other, in practice, the fact that only a single actuarial assumption changed is rare, so there are limitations for this analysis.

The methods and assumptions used in the sensitivity analysis for this period are the same as those for the prior period.

## 18. Equity

### (1) Ordinary shares

As of both December 31, 2023 and 2022, the Company's authorized capital was NT\$1,500,000 thousand, and issued share capital amounted to NT\$1,032,082 thousand in 103,208,229 shares, with a par value of NT\$10.

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(2) Capital surplus

	2023.12.31	2022.12.31
Additional paid-in capital	\$948,152	\$948,152
Treasury shares traded	10,253	10,253
Total	<u>\$958,405</u>	<u>\$958,405</u>

As per law, paid-in capital shall not be used for any purpose except for making up for the Company's losses. When the Company has no loss, a certain percentage of the paid-in capital from the stock premium and the gift can be applied to replenish the capital per year. The aforementioned paid-in capital can be allocated in cash to shareholders in proportion to their shareholdings.

(3) Earnings distribution and dividend policy

A. Earnings distribution

According to the Articles of Incorporation, where the Company has net income after tax for a fiscal year, the income shall be first used for paying taxes, offsetting a cumulative deficit, providing 10% of the remaining profit as a legal reserve unless it has reached the total amount of the Company's paid-in capital. The special reserve shall be appropriated or reversed in accordance with the provisions of the Act or the competent authority. The Board of Directors shall prepare a proposal for the surplus distribution of the remaining surplus, together with any undistributed surplus at the beginning of the period, and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

B. Dividend policy

The Company's dividend policy is to distribute dividends to shareholders in cash or in shares, with cash dividends being no less than 10% of the total dividends, in accordance with the Company's current and future development plans, taking into account the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders.

C. As the Company has cumulative losses for 2023 and 2022, there was no earnings distribution proposal made by the Board of Directors and resolved by the shareholders' meeting.

See Note 6.22 for details of the basis for estimation and recognized amounts of employee remuneration and director remuneration.

(4) Legal reserve

As per the Company Act, the Company shall provide a legal reserve unless its total amount has reached the amount of the total paid-in capital. The legal reserve may be used to offset a deficit.

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When the Company has no loss, the portion of the legal reserve that exceeds 25% of the paid-in capital may be used to distribute shares or cash to shareholders in proportion to their shareholdings.

(5) Special reserve

When distributing the distributable earnings, the Company retroactively sets aside a special reserve for the difference between the balance of the special reserve and the net deduction of other equity items as per law when the IFRS is adopted for the first time. If there is a subsequent reversal of the net deduction of other equity, the special reserve may be reversed for the portion of the net deduction of other equity reversed to distribute earnings.

In accordance with the Letter Jin-Guan-Zheng- Fa No. 1090150022 issued by the FSC dated March 31, 2021, a special reserve shall be set aside for the unrealized revaluation gains and cumulative translation adjustment (gains), which were reclassified to retained earnings on the conversion date due to the adoption of exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards” when IFRS was first adopted. When the Company uses, disposes of, or reclassifies the relevant assets later, it may reverse the portion of the special reserve in the same percentage to distribute earnings.

19. Operating revenue

	2023	2022
Revenue from contracts with customers		
Revenue from product sales	\$1,131,979	\$1,154,134
Revenue from provision of services	8,103	7,774
Total	<u>\$1,140,082</u>	<u>\$1,161,908</u>

The information on the Group’s revenue from customer contracts during the years ended December 31, 2023 and 2022 is as follows:

(1) Breakdown of revenue

	2023	2022
Sales - precious metals	\$640,507	\$620,389
Sales - precious metals		
Materials - potassium gold cyanide	444,292	497,228
Sales - others	39,251	24,920
Revenue from provision of services	8,103	7,774
Revenue from solar power generated	7,929	11,597
Total	<u>\$1,140,082</u>	<u>\$1,161,908</u>

Timing of revenue recognition:

At a certain point in time	<u>\$1,140,082</u>	<u>\$1,161,908</u>
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- (2) Transaction price apportioned to outstanding performance obligations: None.
- (3) Assets recognized from costs of obtaining or fulfilling contracts with customers: None.
- (4) Contract balance

A. Contract liabilities - current

	2023.12.31	2022.12.31
Merchandise sales	\$1,436	\$-

2023 changes in the balance of contract liabilities are as follows:

	Merchandise sales
Opening balance reclassified to income in the current period	\$-
Increase in expected receipts in the current period (less the occurred and transferred to income in the current period)	1,436

20. Expected credit impairment (gain) loss

	2023	2022
Operating expenses - expected credit impairment (gain) loss		
Accounts receivable	\$-	\$-

Please refer to Note 12 for relevant credit risk information.

The Group's allowance for losses on receivables (including notes and accounts receivable) are measured at the lifetime expected credit losses. The information on the amounts of the allowance for losses estimated as of December 31, 2023 and 2022 is as follows:

Regarding accounts receivable, counterparties' credit ratings, regions, industries, and other factors are considered for classification, and a provision matrix is adopted to measure the allowances for losses; the relevant information is as follows:

2023.12.31

	Not past due (Note)	Number of days past due					Total
		Less than 30 days	31-60 days	61-90 days	91-365 days	Over 365 days	
Total carrying amount	\$16,866	\$12,135	\$-	\$-	\$-	\$-	\$29,001
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Carrying amount	\$16,866	\$12,135	\$-	\$-	\$-	\$-	\$29,901

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2022.12.31

	Not past due	Number of days past due					Total
		Less than 30				Over 365	
	(Note)	days	31-60 days	61-90 days	91-365 days	days	
Total carrying amount	\$20,863	\$9,044	\$-	\$-	\$-	\$-	\$29,907
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	-	-	-	-	-
Carrying amount	\$20,863	\$9,044	\$-	\$-	\$-	\$-	\$29,907

Note: None of the Group's notes receivable was past due.

The changes in the allowances for losses on the Group's notes and accounts receivable for 2023 and 2022 are as follows:

	Notes receivable	Accounts receivable
2023.01.01	\$-	\$-
Amount of additions (reversals) during this period	-	-
Write-off due to irrecoverability	-	-
2023.12.31	<u>\$-</u>	<u>\$-</u>
2022.01.01	\$-	\$-
Amount of additions (reversals) during this period	-	-
Write-off due to irrecoverability	-	-
2022.12.31	<u>\$-</u>	<u>\$-</u>

## 21. Leasing

### (1) The Group as a lessee

The Group has leased in a number of different assets, including property (land), buildings, and machinery and equipment. The lease term of each contract ranges from 3 to 50 years. Some of the contracts stipulate that the lessee, without the lessor's consent, shall not lend, sublease, transfer, or use in other disguised methods all or part of the leased property, or transfer the right to lease to another party.

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The impact of leasing on the Group's financial position, financial performance, and cash flows is specified below:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2023.12.31	2022.12.31
Land	\$7,106	\$7,471
Machinery and equipment	8,234	10,644
Buildings	8,498	5,408
Total	<u>\$23,838</u>	<u>\$23,523</u>

(b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities	<u>\$13,076</u>	<u>\$15,203</u>
Current	\$8,155	\$5,743
Non-current	4,921	9,460
Total	<u>\$13,076</u>	<u>\$15,203</u>

B. Amounts recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2023	2022
Land	\$232	\$233
Machinery and equipment	2,410	1,406
Buildings	2,043	126
Total	<u>\$4,685</u>	<u>\$1,765</u>

C. Lessee's income and expenses related to leasing activities

	2023	2022
Expenses relating to short-term leases	<u>\$1,333</u>	<u>\$2,318</u>

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D. Lessee's cash outflows from leasing activities

The amounts of the Group's cash outflows from the leasing activities during 2023 and 2022 were NT\$9,073 thousand and NT\$4,913 thousand.

(2) The Group as a lessor

Please refer to Note 6.9 for details of the disclosures of the investment property owned by the Group. The investment property owned by the Group is classified as an operating lease as almost all the risks and rewards attached to the ownership of the underlying asset are not transferred.

	2023	2022
Lease income recognized under operating leases		
Income related to fixed lease payments	\$13,683	\$12,134

The undiscounted lease payments of the operating lease contracts signed by the Group to be received and the total amount for the remaining years as of December 31, 2023 and 2022 are as follows:

	2023.12.31	2022.12.31
Less than one year	\$9,734	\$9,360
More than one year but less than two years	9,734	9,734
More than two years but less than three years	9,734	9,734
More than three years but less than four years	10,124	9,734
More than four years but less than five years	10,124	10,124
More than five years	845	10,968
Total	\$50,295	\$59,654

22. Employee benefits, depreciation, depletion, and amortization expenses by function is as follows:

By nature \ By function	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary and wages	\$19,178	\$37,399	\$56,577	\$18,927	\$38,305	\$57,232
Labor and health insurance costs	2,903	3,579	6,482	2,775	3,444	6,219
Pension costs	712	1,350	2,062	814	1,408	2,222
Other employee benefit expenses	2,114	6,314	8,428	1,879	5,338	7,217
Depreciation expenses	36,184	28,039	64,223	35,359	25,169	60,528

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In accordance with the Articles of Incorporation, the Company shall provide 3.6%–8.6% of a profit, if any, as employee remuneration and no greater than 3.6% as directors' remuneration, while the Company shall reserve an amount in advance to offset a cumulative deficit, if any. The above employee remuneration may be distributed in stock or cash, which shall be approved by half of all directors present at a board meeting attended by more than two-thirds of all directors and then reported to the shareholders' meeting. Please visit the Market Observation Post System (MOPS) for information on employee remuneration and directors' remuneration approved by the Board of Directors.

As of December 31, 2023 and 2022, the Company still has a deficit to be compensated, so no employee remuneration and director remuneration were estimated.

23. Non-operating income and expenses

(1) Other income

	2023	2022
Rental income	\$13,683	\$12,134
Interest income	3,929	1,886
Dividend income	-	277
Government grants	207	207
Other income - others	1,315	2,369
Total	<u>\$19,134</u>	<u>\$16,873</u>

(2) Other gains and losses

	2023	2022
Net foreign currency exchange gain or loss	\$30	\$6,984
Gain on disposal of property, plant and equipment	289	47
Depreciation of investment property	(2,198)	(2,205)
Disposal of investment gains	2,423	-
Other expenses	(6)	(529)
Total	<u>\$538</u>	<u>\$4,297</u>

(3) Financial costs

	2023	2022
Interest on bank borrowings	<u>\$31,233</u>	<u>\$20,117</u>

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24. Components of other comprehensive income

The components of 2023 other comprehensive income are as follows:

	Arising during this period	Reclassification adjustments during this period	Subtotal	Tax benefit (expense)	Amount after tax
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising from the translation of the financial statements of foreign operations	<u>\$ (2,385)</u>	<u>\$ -</u>	<u>\$ (2,385)</u>	<u>\$ 477</u>	<u>\$ (1,908)</u>

The components of 2022 other comprehensive income are as follows:

	Arising during this period	Reclassification adjustments during this period	Subtotal	Tax benefit (expense)	Amount after tax
Items not reclassified to profit or loss:					
Remeasurement of the defined benefit plan	\$ 844	\$ -	\$ 844	\$ -	\$ 844
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising from the translation of the financial statements of foreign operations	<u>2,530</u>	<u>-</u>	<u>2,530</u>	<u>(506)</u>	<u>2,024</u>
Total other comprehensive income for this period	<u>\$ 3,374</u>	<u>\$ -</u>	<u>\$ 3,374</u>	<u>\$ (506)</u>	<u>\$ 2,868</u>

25. Income taxes

The main components of income tax expenses (income) are as follows:

(1) Income tax recognized in profit or loss

	2023	2022
Current income tax expenses (income):		
Income tax payable for this period	\$ -	\$ -
Deferred tax expenses (income):		
Deferred tax expenses (income) related to the initial temporary differences and reversal of temporary differences	<u>-</u>	<u>-</u>
Income tax expenses (income)	<u>\$ -</u>	<u>\$ -</u>

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(2) Income tax recognized in other comprehensive income

	2023	2022
Exchange differences arising from the translation of the financial statements of foreign operations	\$(477)	\$506

(3) The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted as follows:

	2023	2022
Net income (loss) before tax of the continuing operations	\$(81,739)	\$(98,817)
Amounts of taxes calculated at relevant countries' domestic tax rates applicable to income	\$(19,699)	\$(23,949)
Income tax effect of non-deductible expenses on tax returns	184	63
Income tax effect of the tax-free income	(1,133)	(198)
Income tax effect of deferred tax assets/liabilities	20,648	24,084
Total income tax expense (income) recognized in profit or loss	\$-	\$-

(4) Balances of deferred tax assets (liabilities) related to the following items:

2023

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Overdue payables reclassified to income	\$62	\$-	\$-	\$62
Unrealized exchange (gain) loss	28	15	-	43
Unrealized gain or loss on financial assets	175	-	-	175
Investment income or loss	20,336	(15)	-	20,321
Pension	727	-	-	727
Unused paid leave liability	710	-	-	710
Exchange differences arising from the translation of the financial statements of foreign operations	(5,753)	-	477	(5,276)
Deferred tax income (expenses)		\$-	\$477	
Deferred tax assets/liabilities, net	\$16,285			\$16,762
Deferred tax assets	\$22,038			\$22,038
Deferred tax liabilities	\$(5,753)			\$(5,276)

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2022

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary difference				
Overdue payables reclassified to income	\$62	\$-	\$-	\$62
Unrealized exchange (gain) loss	(18)	46	-	28
Unrealized gain or loss on financial assets	175	-	-	175
Investment income or loss	20,382	(46)	-	20,336
Pension	727	-	-	727
Unused paid leave liability	710	-	-	710
Exchange differences arising from the translation of the financial statements of foreign operations	(5,247)	-	(506)	(5,753)
Deferred tax income (expenses)		\$-	\$(506)	
Deferred tax assets/liabilities, net	<u>\$16,791</u>			<u>\$16,285</u>
Deferred tax assets	<u>\$22,056</u>			<u>\$22,038</u>
Deferred tax liabilities	<u>\$(5,265)</u>			<u>\$(5,753)</u>

(5) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, the total amounts of deferred tax assets not recognized by the Group were NT\$213,022 thousand and NT\$198,901 thousand, respectively.

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- (6) As of December 31, 2023, the amounts of the Group's unused loss credits and deadlines are as follows:

Year	Amount of unused loss credit		Last valid year
	Parent company	Subsidiary	
2014	\$-	\$4,370	2024
2015	69,315	-	2025
2016	55,362	1,415	2026
2017	58,237	4,443	2027
2018	134,259	3,220	2028
2019	170,869	4,078	2029
2020	101,751	3,690	2030
2021	93,554	4,438	2031
2022	81,401	-	2032
2023	77,939	1,351	2033
Total	<u>\$842,687</u>	<u>\$27,005</u>	

- (7) Income tax return filings and approval

As of December 31, 2023, the income tax turns filed by the Company and its subsidiaries are as follows:

	Income tax return filings and approval
The Company	Approved up to 2021
Subsidiary - Chang Pwu Industrial Co., Ltd.	Approved up to 2021
Subsidiary - Ron Pwu Applied Materials Technology Co., Ltd.	Approved up to 2021

## 26. Earnings per share

The basic earnings per share is calculated with the net income attributable to the holders of the ordinary shares of the parent company divided by the weighted average number of ordinary share outstanding in the current period.

The diluted earnings per share is calculated by with the net income attributable to the holders of the ordinary shares of the parent company (after being adjusted for the effect of dilution) divided by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares to be issued when all dilutive potential ordinary shares were converted into ordinary shares.

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	2023	2022
(1) Basic earnings per share		
Net income (loss) attributable to the holders of ordinary shares of the parent company (NT\$ thousand)	\$(81,739)	\$(98,817)
Weighted average number of ordinary shares for the basis earnings per share (in thousand shares)	103,208	103,208
Basic earnings (losses) per share attributable to holders of ordinary shares of the parent company (NT\$)	\$(0.79)	\$(0.96)
(2) Diluted earnings per share		
Net income (loss) after being adjusted and diluted attributable to the holders of ordinary shares of the parent company (NT\$ thousand)	\$(81,739)	\$(98,817)
Weighted average number of ordinary shares for the basis earnings per share (in thousand shares)	103,208	103,208
Dilution effect:		
Employee remuneration - stock (in thousand shares)	-	-
Weighted average number of ordinary shares with the dilution effect adjusted (in thousand shares)	103,208	103,208
Diluted earnings (losses) per share (NTD)	\$(0.79)	\$(0.96)

There was no other transaction made to cause significant changes to the outstanding ordinary shares or the potential ordinary shares after the reporting period and before the financial statements approved for release.

## VII. Related Party Transactions

The related parties with transactions with the Group during the financial reporting period are as follows:

### Name of related party and relations

Name of related party	Relations with the Group
Enormous Vastness Investment Company Limited	Other related parties of the Company
Fukang Investment Co., Ltd.	Other related parties of the Company
Rising Dragon Investment Development Co., Ltd.	Other related parties of the Company

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Major transactions with related parties

1. Remuneration to the Group's key management personnel

	2023	2022
Short-term employee benefits	\$11,938	\$11,956
Post-employment benefits	-	-
Total	<u>\$11,938</u>	<u>\$11,956</u>

2. The Group's income from leasing plants and equipment to related parties during 2023 and 2022 is listed as follows:

	Account	2023	2022
Other related parties	Rental income	<u>\$72</u>	<u>\$72</u>

As of December 31, 2023, the major assets leased by related parties from the Company under operating leases are as follows:

Lessee	Property leased	Lease term	Monthly rent and payment method
Enormous Vastness Investment Company Limited	No.323, Huanke Rd., Guanyin Dist., Taoyuan City	2020.01.01~2026.12.31	Monthly rent of NT\$2 thousand
Fukang Investment Co., Ltd.	No.323, Huanke Rd., Guanyin Dist., Taoyuan City	2020.01.01~2026.12.31	Monthly rent of NT\$2 thousand
Rising Dragon Investment Development Co., Ltd.	No.323, Huanke Rd., Guanyin Dist., Taoyuan City	2020.01.01~2026.12.31	Monthly rent of NT\$2 thousand

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VIII. Assets Pledged

The Group provides the following assets as collateral:

Item	Carrying amount		Details of guarantee
	2023.12.31	2022.12.31	
Guarantee deposits paid	\$10,341	\$25,193	Performance bond and security deposit for buildings
Property, plant and equipment - land	405,610	405,610	Secured borrowing facility
Property, plant and equipment - plant	1,302,054	1,312,011	Secured borrowing facility
Property, plant and equipment - other equipment	51,205	54,863	Secured borrowing facility
Investment property - land	38,245	38,245	Secured borrowing facility
Investment property - plant	18,827	21,024	Secured borrowing facility
Financial assets at amortized cost	73,860	87,902	Deposit to the National Taxation Bureau, performance bond, performance bond account, and borrowing reserve account
Total	<u>\$1,900,142</u>	<u>\$1,944,848</u>	

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

None.

X. Losses Due to Major Disasters

None.

XI. Material Events After the Balance Sheet Date

None.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries  
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**XII. Others**

1. Types of financial instruments

Financial assets

	2023.12.31	2022.12.31
Financial assets at fair value through other comprehensive income	\$9,333	\$9,333
Financial assets at amortized cost (Note)	199,670	310,888
Total	<u>\$209,003</u>	<u>\$320,221</u>

Financial liability

	2023.12.31	2022.12.31
Financial liabilities at amortized cost:		
Short-term borrowings	\$610,000	\$720,000
Payables	48,823	89,320
Lease liabilities (current and non-current)	13,076	15,203
Long-term borrowings (including those due within one year)	793,267	602,956
Total	<u>\$1,465,166</u>	<u>\$1,427,479</u>

Note: Including cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable and other receivables, and current income tax assets.

2. Financial risk management objectives and policies

The Group's financial risk management objectives are mainly to manage market, credit, and liquidity risks related to operating activities. The Group identifies, measures, and manages the above risks as per the Group's policies and risk preferences.

The Group has established appropriate policies, procedures, and internal control system in accordance with applicable regulations on the above financial risk management; important financial activities should be reviewed by the Board of Directors and the Audit Committee in accordance with applicable regulations and the internal control system. During the implementation of the financial management activities, the Group should comply with the applicable regulations on financial risk management.

3. Market risk

The Group's market risk refers to the risk arising from the fluctuations in the fair values or cash flows of financial instruments due to changes in market prices. Market risk mainly includes exchange rate risk and interest rate risk (such as equity instruments).

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In practice, one movement by a single change in risk variables is rare, and changes in risk variables are always interrelated; however, the sensitivity analysis of the following risks did not consider the interaction between relevant risks and variables.

Exchange rate risk

The Group's exchange rate risk is mainly related to operating activities (when a currency used for income or expenses is different from the Group's functional currency) and net investment in foreign operations.

The Group's foreign currency receivables and foreign currency payables are partially in the same currency. Thus, there will be a natural hedging effect for a part of the foreign currency position; also, the net investment in foreign operations is a strategic investment, so the Group has not adopted a hedging approach thereto.

The sensitivity analysis of the Group's exchange rate risk is mainly focused on the main foreign currency monetary items on the end date of the financial reporting period and the impact of relevant foreign currency appreciation/depreciation on the Group's profit and loss and equity. The Group's exchange rate risk is mainly affected by fluctuations in the exchange rates of USD and CNY. The sensitivity analysis information is as follows:

When the NTD appreciated/depreciated by 1% against the USD, the Group's profit or loss for the year ended December 31, 2023 and 2022 would have decreased/increased by NT\$952 thousand and NT\$657 thousand, respectively.

When the NTD appreciated/depreciated by 1% against the CNY, the Group's profit or loss for the year ended December 31, 2023 and 2022 would have decreased/increased by NT\$590 thousand and NT\$697 thousand, respectively.

Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to the changes in market interest rates. The Group's interest rate risk is mainly from investments in debt instruments at floating rates as well as borrowings at fixed and floating rates.

The sensitivity analysis of the Group's interest rate risk was mainly focused on investments and borrowings at floating rates at the end date of the financial reporting period. With an assumption that such investments and borrowings are held for one fiscal year, when the interest rate increased/decreased by 0.1%, the Group's profit or loss for 2023 and 2022 would have decreased/increased by NT\$1,306 thousand and NT\$1,144 thousand, respectively.

Equity price risk

The fair values of unlisted equity securities held by the Group will be affected by the uncertainty about their future values. The unlisted equity securities held by the Group are included in the category measured at fair value through other comprehensive income. The Group manages the price risk of equity securities

by diversifying investments and setting limits for investments in single and overall equity securities. The information on the investment portfolio of equity securities should be regularly provided to the Group's senior management, and the Board of Directors should review and approve all decisions about investments in equity securities.

The fair values of other equity instruments belong to Level 3. Please refer to Note 12.8 for the sensitivity analysis information.

#### 4. Credit risk management

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

Each unit of the Group follows the credit risk policy, procedures, and control mechanism to manage credit risk. The credit risk assessment of all transaction counterparties is based on factors, such as each counterparty's financial position, ratings by credit rating agencies, historical trading experience from the past, current economic environment, and the Group's internal rating criteria. The Group also uses certain credit enhancement tools (such as advance sales receipts and insurance) at appropriate times to reduce specific counterparties' credit risk.

As of December 31, 2023 and 2022, the Group's accounts receivable from the top ten clients accounted for 85.39% and 84.34% of the balances of the Group's accounts receivable, respectively. The credit concentration risk for the remaining receivables is relatively insignificant.

The Group's finance department manages the credit risk of bank deposits, fixed-income securities, and other financial instruments in accordance with the Group's policies. The Group's counterparties are determined based on internal control procedures, such as banks with good credit ratings, financial institutions with investment-grade ratings, corporate organizations, and government agencies, so there is no significant credit risk.

The Group adopts the IFRS 9 standard to assess expected credit losses. Except for an allowance for losses on receivables that is estimated at lifetime expected credit losses, for investments in debt instruments that are not measured at fair value through profit or loss and purchased due to a low credit risk, the Group assesses if the credit risk arising from such investments has increased significantly since the initial recognition on each balance sheet date, to determine the method of estimating an allowance for losses and an loss ratio.

Also, when the Group believes that a financial asset cannot be reasonably expected to be recovered as per the assessment (e.g., the issuer or the debtor has significant financial difficulties or has gone bankrupt), it will be written off.

#### 5. Liquidity risk management

The Group maintains financial flexibility through cash and cash equivalents, bank borrowings, and other

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relevant contracts. The table below summarizes the maturity of the payments contained in the contracts of the Group's financial liabilities. It is compiled based on the earliest possible date for repayment and its undiscounted cash flow. The amounts listed also include the agreed interest. For the interest cash flow paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1–3 years	3–4 years	5 years or more	Total
2023.12.31					
Borrowings	\$937,661	\$388,184	\$59,141	\$30,285	\$1,415,271
Payables	48,823	-	-	-	48,823
Lease liabilities	8,439	4,974	-	-	13,413
2022.12.31					
Borrowings	\$801,705	\$370,276	\$78,569	\$89,426	\$1,339,976
Payables	89,320	-	-	-	89,320
Lease liabilities	6,160	9,725	-	-	15,885

6. Reconciliation of liabilities from financing activities

Information on reconciliation of liabilities for the year ended December 31, 2023:

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2023.01.01	\$720,000	\$602,956	\$2,250	\$15,203	\$1,340,409
Cash flows	(110,000)	190,311	-	(7,740)	72,571
Non-cash changes	-	-	-	5,613	5,613
2023.12.31	\$610,000	\$793,267	\$2,250	13,076	\$1,418,593

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Information on reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Total liabilities from financing activities
2022.01.01	\$611,973	\$633,288	\$2,250	\$-	\$1,247,511
Cash flows	108,027	(30,332)	-	(2,595)	75,100
Non-cash changes	-	-	-	17,798	17,798
2022.12.31	\$720,000	\$602,956	\$2,250	\$15,203	\$1,340,409

7. Fair values of financial instruments

(1) Valuation techniques and assumptions adopted to measure the fair values

Fair value is the price that can be received from a sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The methods and assumptions adopted by the Group to measure or disclose the fair values of its financial assets and financial liabilities are as follows:

- A. The carrying amounts of cash and cash equivalents, receivables, payables, and other current liabilities are reasonable approximations of their fair values, mainly due to the short durations of such instruments.
- B. The fair values of equity instruments not traded in an active market (unlisted companies' stocks) are estimated with a market approach. The fair values are estimated at the prices of the transactions of the same or comparable companies' equity instruments in the market and other relevant information (such as discount for lack of marketability, price-earnings ratios of similar companies' stocks, or price-to-book ratios of similar companies' stocks).
- C. Regarding debt instrument investments without quoted prices in an active market, bank borrowings, and other non-current liabilities, the fair values are determined based on the counterparties' quotes or valuation techniques. The valuation techniques are determined on the basis of discounted cash flow analysis; the assumptions about interest rates and discount rates are made with reference to on similar instruments (such as the Taipei Exchange's yield curves for reference, the average quotes of Reuters commercial paper interest rates, and credit risks).
- D. As for derivative financial instruments without quoted prices in an active market, if they are non-option derivatives, their fair values are determined based on the counterparties' quotes or the yield curves that apply during the duration of the discounted cash flow analysis; if they are option derivatives, the fair values are determined based on counterparties' quotes, appropriate option pricing models (such as Black-Scholes) or other valuation approaches (such as Monte Carlo Simulation).

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(2) Fair values of financial instruments at amortized cost

Except as stated in the table below, the carrying amounts of the Group's partial financial assets and financial liabilities at amortized cost are reasonable approximations of the fair values thereof.

(3) Information on the financial instrument fair value hierarchy

See Note 12.8 for information on the Group's financial instrument fair value hierarchy.

8. Fair value hierarchy

(1) Definitions of fair value levels

All assets and liabilities measured or disclosed at fair value are the lowest level inputs, which are important to the overall fair value measurement, classified to the fair value levels to which they belong. The input at each level is as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.

Level 2: Inputs, other than quoted market prices within Level 1 that are observable, either directly or indirectly, for assets or liabilities.

Level 3: The unobservable input value of an asset or liability.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is reevaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Information on hierarchy of fair value measurement

The Group does not have assets measured at fair value on a non-recurring basis. The information on the fair value levels of assets and liabilities on a recurring basis is shown below:

December 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Financial assets at fair value through other comprehensive income				
Stocks	\$-	\$-	\$9,333	\$9,333

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December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Financial assets at fair value through other comprehensive income				
Stocks	\$-	\$-	\$9,333	\$9,333

Transfer between Level 1 and Level 2 fair values

The Group's assets and liabilities measured at fair value on a recurring basis during 2023 and 2022 were not transferred between Level 1 and Level 2.

Details of movements at Level 3 fair value on a recurring basis

If the Group's assets and liabilities measured at fair value on a recurring basis that belong to Level 3 fair value during the years ended December 31, 2023 and 2022, the reconciliation of the opening and ending balances is listed as follows:

	Assets
	Measured at fair value through other comprehensive income
	Stocks
January 1, 2023	\$9,333
December 31, 2023	\$9,333
	Assets
	Measured at fair value through other comprehensive income
	Stocks
January 1, 2022	\$3,333
Acquired during 2022	6,000
December 31, 2022	\$9,333

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Significant unobservable Level 3 fair value inputs

Regarding the Group's assets at Level 3 fair value on a recurring basis, the significant unobservable inputs at fair value are as follows:

December 31, 2023:

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relations between input and fair value</u>	<u>Input value and fair value Sensitivity analysis of relationship - value relationship</u>
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	-%	The higher the illiquidity, the lower the estimated fair value	When the percentage of lack of marketability increased (decreased) by 10%, the Group's equity would have decreased/increased by NT\$933 thousand.

December 31, 2022:

	<u>Valuation techniques</u>	<u>Material unobservable input value</u>	<u>Quantitative information</u>	<u>Relations between input and fair value</u>	<u>Input value and fair value Sensitivity analysis of relationship - value relationship</u>
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	-%	The higher the illiquidity, the lower the estimated fair value	When the percentage of lack of marketability increased (decreased) by 10%, the Group's equity would have decreased/increased by NT\$933 thousand.

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Valuation process for Level 3 fair value

The Group's finance department is responsible for fair value verification, using data from independent sources to bring the valuation results closer to the market, confirming that the sources of the data are independent, reliable, consistent with other resources and represent executable prices, while analyzing the changes in the value of assets and liabilities that must be remeasured or re-valuated in accordance with the Group's accounting policies at each balance date, to ensure that the valuation results are reasonable.

(3) Information on those not measured at fair value but need to be disclosed

December 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets with only fair value disclosed:				
Investment property (see Note 6.9)	\$-	\$-	\$57,072	\$57,072

December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets with only fair value disclosed:				
Investment property (see Note 6.9)	\$-	\$-	\$59,269	\$59,269

9. Information on the foreign currency financial assets and liabilities with significant impact is as follows:

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

Unit of currency: In thousands of dollars			
2023.12.31			
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$3,122	30.64	\$95,664
CNY	\$13,347	4.33	\$57,753
Financial liability			
Monetary items:			
USD	\$-	-	\$-
CNY	\$350	4.33	\$1,516

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	2022.12.31		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$2,147	30.75	\$66,011
CNY	\$15,247	4.41	\$67,193
Financial liability			
Monetary items:			
USD	\$-	-	\$-
CNY	\$646	4.41	\$2,846

The exchange gains or losses on monetary items (financial assets and liabilities) are as follows:

	2023	2022
USD	\$30	\$6,984

The above information is disclosed in the foreign currency carrying amount (already converted to the functional currency).

#### 10. Capital management

The Group's capital management aims to confirm and maintain appropriate credit ratings and suitable capital ratios to facilitate business operations and maximize shareholders' equity. The Group manages and adjusts the capital structure based on the economic conditions and may maintain and adjust the capital structure by adjusting dividend payments, returning capital, or issuing new shares.

### XIII. Other Disclosures

#### (I) Information on Significant Transactions

- Loans to others by the Company: Table 1.
- Endorsements/guarantees provided to others by the Company: Table 2.
- Securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures): Table 3.
- Securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital by the Company during this period: None.

5. Acquisition of real estate by the Company amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate by the Company amounting to at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties by the Company amounting to at least NT\$100 million or 20% of the paid-in capital: None.
8. The Company's receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
9. The Company engages in derivative transactions: None.
10. The business relations between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts: Table 6.

(II) Information on Investees

1. When the Group has significant influence or control over an investee, the information on the investee (excluding investees in China) shall be disclosed: Table 4.
2. When the Group has the ability to control an investee, it shall disclose the information on the investee as in Note 13. (1):
  - 2.1. Loans to others: None.
  - 2.2. Endorsements/guarantees provided to others by the Company: Table 5.
  - 2.3. Securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures): None.
  - 2.4. Securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital by the Company during this period: None.
  - 2.5. Acquisition of real estate by the Company amounting to at least NT\$300 million or 20% of the paid-in capital: None.
  - 2.6. Disposal of real estate by the Company amounting to at least NT\$300 million or 20% of the paid-in capital: None.
  - 2.7. Total purchases from or sales to related parties by the Company amounting to at least NT\$100 million or 20% of the paid-in capital: None.

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2.8. The Company's receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

2.9. Trading in derivative instruments: None.

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(III) Information on Investment in China:

1. Names of investees in China, main business scope, paid-in capital, investment methods, outward and inward capital remittance, shareholdings, investment income and loss, book values of investments at the end of the period, investment income and loss repatriated, and maximum investments in China:

Unit: NT\$ thousand

Name of Investee in China	Main business	Paid-in capital	Investment method	Opening balance of cumulative investment remitted from Taiwan during this period	Investment amount remitted from Taiwan or recovered during this period		Ending balance of cumulative investment remitted from Taiwan for this period	Investment income or loss on investees	Shareholdings of direct or indirect investments	Investment income or loss recognized for this period	Book value of investments at the end of this period	Cumulative investment income repatriated as of the end of this period	Ending balance of cumulative outward remittances for investment in mainland China	Investment amount approved by Investment Commission, MOEA	Maximum investment amount stipulated the Investment Commission, MOEA
					Outward remittance	Repatriation									
Super Dragon Environmental Protection Technology (Suzhou) Limited Company	Recycling, production, and sales of various business waste	\$307,050 (Note 2)	(Note 1)	\$313,191 (Note 2)	\$-	\$-	\$313,191	\$ (12,739) (Note 2 and 3)	100%	\$(12,739) (Notes 2, 3, and 4)	\$126,947 (Notes 2, 3, and 4)	\$-	\$313,191 (Note 2)	\$322,402 (Note 2)	\$787,673

Note 1: A company was established through an investment in a third region to invest in companies in China.

Note 2: The foreign currency amounts are translated into NTD at the exchange rates prevailing on the balance sheet date.

Note 3: Investment income or losses is recognized in the financial statements audited and certified by CPAs.

Note 4: The above amounts related to Jialong Environmental Protection Technology (Suzhou) Limited Company have been written off when the consolidated financial statements were prepared.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2. Amount of purchases and percentage and ending balance of payables: None.
3. Amount of sales amount and percentage and ending balance of receivables: None.
4. Amount of property transactions and the resulting gains and losses: None.
5. Note endorsement and guarantee or ending balance and purpose of guarantees: None.
6. Highest balance of loans, ending balance, interest rate range, and total interest for this period: None.
7. Other transactions with a significant impact on the current profit or loss or financial position, such as the provision or receipt of services: None.

(IV) Information on Major Shareholders:

Shares		
Name of major shareholder	Number of shares held	Shareholding
Yao-Hsun Wu	29,856,515	28.92%
Wistron Corporation	5,676,005	5.49%
Chun-Yao Lin	5,525,000	5.35%

XIV. Segment Information

1. The Group's revenue mainly comes from the manufacturing and trading of precious metals. The Group's chief operating decision maker reviews the Company's operating performance to make decisions on its resources and evaluates its overall performance, so it is a single operating segment, and it is prepared on the same basis as the summary of important accounting policies mentioned in Note 4.
2. Information by region

Revenue from external clients:

	2023	2022
Taiwan	\$666,813	\$559,319
China	473,269	602,589
Total	<u>\$1,140,082</u>	<u>\$1,161,908</u>

Revenue is classified by the country where each client operates business.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Non-current assets:

	2023.12.31	2022.12.31
Amortization Taiwan	\$1,969,115	\$1,989,023
China	62,965	66,174
Total	<u>\$2,032,080</u>	<u>\$2,055,197</u>

Information on important clients:

The external clients who accounted for 10% or more of the Group's sales revenue are as follows:

<u>Name of client</u>	2023	2022
Client A	\$456,084	\$565,104
Client B	166,357	(Note)
Client C	141,008	155,087
Client D	123,736	111,001
Total	<u>\$887,185</u>	<u>\$831,192</u>

Note: The net sales to client B did not exceed 10% of the Group's net operating revenue in 2022, so it will not be disclosed.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries  
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Table 1

Loans to others

Unit: NT\$ thousand

No. (Note 1)	Lender	Borrower	Account (Note 2)	Related party status	Highest balance during this period (Notes 4 and 6)	Ending balance (Note 6)	Amount drawn	Interest rate range	Nature of loan (Note 3)	Transaction amount	Reason for the need for short- term loan	Amount of allowance for losses	Collateral		Maximum loan to each entity (Note 5)	Total maximum amount of loans (Note 5)
													Name	Value		
0	Super Dragon Technology Co., Ltd.	Chang Pwu Industrial Co., Ltd.	Other receivables - related parties	Yes	\$10,000	\$10,000	\$-	2%	2	\$-	Business turnover	\$-	-	\$-	\$43,760	\$131,279

Note: The total amount of funds lending to related parties shall not exceed 10% of the Company's net worth.

The limit of funds lending to individual related parties shall not exceed one-third of the total limit of the Company.

Note 1: No. column is filled out in a way as follows:

1. The issuer should be coded "0".
2. The investees are coded sequentially beginning from "1" one by one.

Note 2: Accounts receivable from affiliates, accounts receivable from related parties, transactions with shareholders, prepayments, and temporary debits, shall be entered if they belong to loans to others.

Note 3: The nature of loans to others is filled out in a way as follows:

1. Where there are business dealings, please enter 1.
2. Where there is a need for a short-term loan, please enter 2.

Note 4: The maximum balance of loans to others throughout the year.

Note 5: The limit/amount of the loaning of funds increased or decreased in the current month should be entered for each subsidiary engaged in loaning of funds (i.e. those with a serial number other than 0), and divided into two categories: "amount due to business transactions" and "short-term financing," the change amount for the Company does not need to be entered.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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Note 6: The limit/amount that is still valid as of the reporting month should be entered. (If the publicly listed company puts each loan to others to the Board of Directors for resolution as per Article 14, paragraph 1 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, even if the loan is not yet disbursed, the company shall include the amount as resolved in the balance to be announced, to disclose the risks it bears; however, if the loan is repaid later, the balance after repayment shall be disclosed to reflect the adjustment to the risks assumed. If the publicly listed company delegates its chairman to disburse a loan in installments within a certain amount or use them in a revolving manner over a period of one year by the resolution of the board of directors in accordance with Article 14, paragraph 2 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the amount of the loan approved by the board of directors shall still be included the balance to be announced and reported. Although repayments will be made later, as funds may be disbursed again, the amount of the loan approved by the board of directors shall still be adopted as the balance to be announced and reported.)

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 2

Endorsements/guarantees provided to others

Unit: NT\$ thousand

Endorsements/guarantees provided to others		Party endorsed/guaranteed		Limits on endorsement/guarantee to each enterprise (Note 3)	Maximum balance of endorsement/guarantee for this period	Ending balance of endorsements/guarantees	Amount drawn	Amount of endorsement/guarantee secured by property	Ratio of cumulative endorsement/guarantee to the net worth as stated in the latest financial statements	Maximum endorsement/guarantee to be provided (Note 3)	Endorsement/guarantee provided by parent company to subsidiary	Endorsement/guarantee provided by subsidiary to parent company	Endorsement/guarantee to entity in China
No. (Note 1)	Name	Name of company	Relations (Note 2)										
0	Super Dragon Technology Co., Ltd	Chang Pwu Industrial Co., Ltd.	A subsidiary 100% directly (indirectly) owned by the Company	\$262,558	\$26,500	\$26,500	\$26,000	\$-	2.02%	\$525,115	Y	N	N

Note 1: No. column is filled out in a way as follows:

1. The issuer should be coded "0".
2. The investees are coded sequentially beginning from "1" one by one.

Note 2: There are seven types of relations between the endorser/guarantor and the endorsed/guaranteed party as follows; just indicate the code:

1. Companies with business dealings.
2. A company in which the Company directly or indirectly holds more than 50% of the voting shares.
3. A company directly or indirectly holds more than 50% of the voting shares in the Company.
4. A company in which the Company directly or indirectly holds 90% or more of the voting shares.
5. Companies that need to purchase insurance for each other in the same industry or as co-builders in accordance with contractual provisions based on the needs for contracting construction projects.
6. A company that is endorsed and guaranteed by all shareholders of the Company in proportion to their shareholdings due to a joint investment relationship.
7. The companies that are engaged in joint and several guarantees for the performance of a pre-sale property contract in accordance with the Consumer Protection Act.

Note 3: As per the Operating Procedures for Endorsements and Guarantees for Others of Super Dragon Technology Co., Ltd., the total amount of the endorsements/guarantees provided to external entities shall not exceed 40% of the Company's net worth for the period. The amount of endorsements/guarantees for a single enterprise shall not exceed 20% of the Company's net worth as stated in the latest financial statements, while that for a single overseas affiliate shall be limited to 10% of the Company's net worth as stated in the latest financial statements.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 3

Securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures)

Unit: NT\$ thousand

Holder	Types and names of securities	Relations between the issuer and the Company	Presentation account	End of the period				Collateral, pledge, or other restrictions		
				Number of shares	Carrying amount	Shareholding	Fair value	Number of shares	Carrying amount	Remarks
Super Dragon Technology Co., Ltd.	Stocks:  Big Data Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	371,645	<u>\$3,333</u>	8.17%	<u>\$3,333</u>	-	<u>\$-</u>	
Super Dragon Technology Co., Ltd.	Rainter Water Resource Technology Corp.	The Company is the corporate director	Financial assets at fair value through other comprehensive income - non-current	480,000	<u>\$6,000</u>	8.89%	<u>\$6,000</u>	-	<u>\$-</u>	

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 4

Information on investees with significant influence or control (excluding investees in China)

Unit: NT\$ thousand

Name of investor	Investee	Location	Main business	Initial investment amount		Holdings at the end of the period			Investment income or loss on investees	Investment income or loss recognized for this period	Remarks
				End of this period	End of last year	Number of shares	Shareholding	Carrying amount			
Super Dragon Technology Co., Ltd.	Chang Pwu Industrial Co., Ltd.	No.323, Huanke Rd., Neighborhood 1, Datan Vil., Guanyin Dist., Taoyuan City	Collection of business waste	\$179,988	\$179,988	18,000,000	100.00%	\$167,541	\$(908)	\$(908)	Note
Super Dragon Technology Co., Ltd.	Ron Pwu Applied Materials Technology Co., Ltd.	No. 1, Yuanyuan St., Guanyin Dist., Taoyuan City	Manufacturing, wholesale, and retail of chemicals and wholesale of recycled materials	9,400	9,400	1,000,000	100.00%	10,077	86	86	Note
Super Dragon Technology Co., Ltd.	Super Dragon International Co., Ltd.	Rm 51, 5th Britannia House, Jalan Cator, Bandar Seri Begawan BS 8811, Brunei Darussalam	Sales of environmental protection devices and mixed hardware waste	271,127	271,127	7,005,365	100.00%	128,436	(12,739)	(12,739)	Note

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Name of investor	Investee	Location	Main business	Initial investment amount		Holdings at the end of the period			Investment income or loss on investees	Investment income or loss recognized for this period	Remarks
				End of this period	End of last year	Number of shares	Shareholding	Carrying amount			
Super Dragon Technology Co., Ltd.	Forcera Materials Co., Ltd.	No. 56, Changchun Rd., Chang'an Vil., Hukou Township, Hsinchu County	Wholesale of electronic materials, wholesale of telecommunication apparatus, and automatic control equipment engineering case	143,250	-	5,375,000	19.06%	148,391	22,176	4,601	
Super Dragon Technology Co., Ltd.	Pau Dragon Energy Corp.	8F, No. 463, Xingshan Rd., Neihu Dist., Taipei City	Energy technology services and power generation and distribution machinery manufacturing	14,700	-	1,470,000	49.00%	14,405	(602)	(295)	
Chang Pwu Industrial Co., Ltd.	Pau Hz Energy Corp.	8F, No. 463, Xingshan Rd., Neihu Dist., Taipei City	Energy technology services and power generation and distribution machinery manufacturing	15,000	15,000	1,500,000	30.00%	14,150	(1,778)	(534)	

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Name of investor	Investee	Location	Main business	Initial investment amount		Holdings at the end of the period			Investment income or loss on investees	Investment income or loss recognized for this period	Remarks
				End of this period	End of last year	Number of shares	Shareholding	Carrying amount			
Chang Pwu Industrial Co., Ltd.	Forcera Materials Co., Ltd.	No. 56, Changchun Rd., Chang'an Vil., Hukou Township, Hsinchu County	Wholesale of electronic materials, wholesale of telecommunication apparatus, and automatic control equipment engineering case	15,000	-	572,000	2.03%	15,487	22,176	195	
Ron Pwu Applied Materials Technology Co., Ltd.	Forcera Materials Co., Ltd.	No. 56, Changchun Rd., Chang'an Vil., Hukou Township, Hsinchu County	Wholesale of electronic materials, wholesale of telecommunication apparatus, and automatic control equipment engineering case	9,000	-	336,000	1.19%	9,098	22,176	97	

Note: It has been written off when the consolidated financial statements were prepared.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 5

Endorsements/guarantees provided to others

Unit: NT\$ thousand

Endorsements/ guarantees provided to others		Party endorsed/ guaranteed		Limits on endorsement/ guarantee to each enterprise (Note 3)	Maximum balance of endorsement/ guarantee for this period	Ending balance of endorsements/ guarantees	Amount drawn	Amount of endorsement/ guarantee secured by property	Ratio of cumulative endorsement/ guarantee to the net worth as stated in the latest financial statements	Maximum endorsement/ guarantee to be provided (Note 3)	Endorsement/ guarantee provided by parent company to subsidiary	Endorsement/ guarantee provided by subsidiary to parent company	Endorsement/ guarantee to entity in China
No. (Note 1)	Name	Name of company	Relations (Note 2)										
1	Chang Pwu Industrial Co., Ltd.	Super Dragon Technology Co., Ltd.	3	\$502,623	\$360,000	\$360,000	\$307,000	\$360,000	214.87%	\$502,623	N	Y	N

Note 1: No. column is filled out in a way as follows:

1. The issuer should be coded "0".
2. The investees are coded sequentially beginning from "1" one by one.

Note 2: There are seven types of relations between the endorser/guarantor and the endorsed/guaranteed party as follows; just indicate the code:

1. Companies with business dealings.
2. A company in which the Company directly or indirectly holds more than 50% of the voting shares.
3. A company directly or indirectly holds more than 50% of the voting shares in the Company.
4. A company in which the Company directly or indirectly holds 90% or more of the voting shares.
5. Companies that need to purchase insurance for each other in the same industry or as co-builders in accordance with contractual provisions based on the needs for contracting construction projects.
6. A company that is endorsed and guaranteed by all shareholders of the Company in proportion to their shareholdings due to a joint investment relationship.
7. The companies that are engaged in joint and several guarantees for the performance of a pre-sale property contract in accordance with the Consumer Protection Act.

Note 3: As per the Operating Procedures for Endorsements and Guarantees for Others of the subsidiary, Chang Pwu Industrial Co., Ltd., the limit of endorsement/guarantee for the parent company (Super Dragon Technology Co., Ltd.) is 300% of the company's net worth as stated in its latest financial statements. The amount of endorsements/guarantees for a single enterprise other than the parent company shall not exceed 20% of the Company's net worth as stated in the latest financial statements.

Notes to Consolidated Financial Statements of Super Dragon Technology Co., Ltd. and Its Subsidiaries (continued)  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 6

Business relations and important transactions between the parent company and the subsidiaries

Unit: NT\$ thousand

No. (Note 1)	Name of trader	Transaction counterparty	Relations with the trader	Transaction			
				Account	amount	Transaction conditions	As a % of the total consolidated revenue or total assets
	<u>2023</u>						
1	Chang Pwu Industrial Co., Ltd.	Super Dragon Technology Co., Ltd.	2	Rent expense	\$24	As agreed in contract	-%
1	Chang Pwu Industrial Co., Ltd.	Super Dragon Technology Co., Ltd.	2	Interest expense	2	-	-%
2	Ron Pwu Applied Materials Technology Co., Ltd.	Super Dragon Technology Co., Ltd.	2	Rent expense	24	As agreed in contract	-%

Note 1: The information on business transactions between the parent company and subsidiaries shall be indicated in the No. column. The number should be entered as follows:

1. Enter 0 for parent company.
2. The subsidiaries are coded sequentially beginning from “1” one by one.

Note 2: The relations with the transaction counterparties are classified into three categories as follows; just enter the code:

1. The parent company to a subsidiary.
2. A subsidiary to the parent company.
3. A subsidiary to another one.

Note 3: The transaction amount as a percentage of the total consolidated revenue or total assets should be calculated as the ratio of the ending balance to the total consolidated assets if it is an asset or liability item, or as the ratio of the ending cumulative amount to the total consolidated revenue if it is a profit or loss item.