

**Stock code: 1413**

**Hung Chou Fiber Industrial Co., Ltd.**

# **2022 Annual Report**

**Published May 30, 2023**

**Annual report available at: <http://www.hungchou.com.tw/index>**

- 1. Spokesperson: Heng-Chia Chang**  
**Title: Director**  
**Acting Spokesperson: Sheng-Chin Lin**  
**Title: Manager**  
**TEL: (02)2657-5859**  
**Email: albert@yijinn.com.tw**
- 2. Name, address, and contact number of stock transfer agency:**  
**Share Administration Department of Grand Fortune Securities Co., Ltd.**  
**6F, No. 6, Section 1, Zhongxiao West Road, Zhongzheng District, Taipei City**  
**10041**  
**Website: <http://www.gfortune.com.tw/>**  
**TEL: (02) 2383-6888**
- 3. Name of CPA and the name, address, and contact number of the accounting firm for the latest financial report:**  
**Name of CPA: Jun-Ming Pan, Shu-Ying Chang**  
**Name of firm: KPMG**  
**Address: 68F, No. 7, Section 5, Xinyi Road (Taipei 101 Building), Taipei City**  
**Website: <http://www.kpmg.com/tw>**  
**TEL: (02)8101-6666**
- 4. Address and contact number of the headquarter and plant sites:**  
**Headquarters: 7F, No. 607 Ruiguang Road, Neihu District, Taipei City**  
**TEL: (02)2657-5859**  
**Factory: No. 29, Hongzhou Street, Guishan District, Taoyuan City**  
**TEL: (03)329-4138**
- 5. Overseas exchange where securities are listed: None**  
**Method of inquiry for overseas securities: None**
- 6. Company website: <http://www.hungchou.com.tw/index>.**

# Table of Contents

One.	Business Report to Shareholders-----	1
Two.	Company Profile-----	5
Three.	Implementation of corporate governance-----	6
	1. Organization -----	6
	2. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches -----	7
	3. Corporate governance -----	24
	4. Disclosure of CPAs' remuneration -----	104
	5. Change of CPA -----	104
	6. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company within the most recent year. -----	104
	7. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year, up until the publication date of annual report -----	104
	8. Disclosure of relationships, as defined under Statement of Financial Accounting Standard No.6 - Related parties, among the top ten shareholders-----	106
	9. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties. -----	106
Four.	Capital and shares-----	107
Five.	Disclosure relating to corporate bonds. -----	111
Six.	Preferred shares, overseas depository receipts, employee warrants, mergers, and acquisitions: -----	111
Seven.	Mandatory disclosures on planned use of capital -----	111
Eight.	Operational overview-----	112
	1. Business activities:-----	112
	2. Market, production, and sales overview-----	117
	3. Employee count in the last 2 years -----	124
	4. Contribution to environmental protection-----	124
	5. Labor-management relations-----	124
	6. Cybersecurity management -----	126
	7. Major contracts-----	127
Nine.	Financial information -----	128

	1. Summarized financial information for the last 5 years-----	128
	2. Financial analysis for the last 5 years-----	131
	3. Audit Committee’s Review Report-----	0
	4. Latest financial statements and independent auditor’s report-----	1
	5. Any financial distress experienced by the Company or its affiliated enterprise and impacts on the Company’s financial position in the last year up until the publication date of annual report.-----	60
Ten.	Review and analysis of financial position and business performance, and risk management issues-----	60
	1. Financial position-----	60
	2. Financial performance-----	61
	3. Cash flow-----	62
	4. Major capital spendings in the last year and impact on business performance-----	63
	5. Investment policy in the most recent year, causes of profit or loss incurred, improvement plans, and investments planned for the next year.	63
	6. Analysis and assessment of risk issues-----	63
	7. Other material issues-----	64
Eleven.	Special remarks-----	64
	1. Information of affiliated enterprises.-----	64
	2. Private placement of securities in the last year up until the publication date of annual report.-----	64
	3. Holding or disposal of the Company’s shares by subsidiaries in the last financial year, up until the publication date of annual report-----	64
	4. Other necessary supplemental information-----	64
Twelve.	Occurrences significant to shareholders’ equity or security price, as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the last year up until the publication date of annual report-----	65

# One. Business Report to Shareholders

2022 Business Report of Hung Chou Fiber Industrial Co., Ltd.

## 1. Business performance for 2022:

In the first half of 2022, following the slowdown of the pandemic at the end of 2022, the clothing consumer market has regained its vitality. Major brand clothing factories have increased their orders, and their operational performance and profits remain strong. However, starting from the second half of the year, the global surge in raw material prices and oil prices due to the Russo-Ukrainian war has caused energy and electricity costs to rise. Coupled with the global inflation leading to reduced demand, brand clothing factories have seen an increase in inventory levels and a slowdown in orders, which has impacted their operational performance..

This year, the sales revenue of our company's products has slightly increased compared to last year due to the aforementioned factors. However, profits have slightly decreased due to the increase in costs. Furthermore, to ensure sustainability of future operations, the Company will purchase environment-friendly polyester chips for the production of environment-friendly yarns, and purchase dyed polyester chips for the production and development of color yarns, thereby bringing diversity and colors into the yarn lineup. The Company will be working with BioSphere to develop a new type of sustainable fiber called "BioPro" to enrich the existing product line and meet the requirements of environmental regulations as well as customers' needs. More emphasis will be directed toward promoting products that offer distinctive advantages and diverse uses to appeal to a broader number of customers. This increased diversity will lessen the effect of seasonality and ultimately improve profitability.

Global brand clothing factories have made "sustainable environmental protection + functionality" a core and new consumer trend when selecting textile supply chains. Therefore, energy conservation and waste reduction have received high attention in the textile industry. Suppliers or brand merchants are actively establishing green supply chains that combine sustainable environmental protection with functionality. In order to meet customer needs and win orders, our company has also been committed to strengthening highly differentiated niche products in recent years, in the hope of having a competitive advantage and position in the international supply chain. Additionally, we have been actively monetizing assets by renting out idle factories, land, etc., to obtain sustained and stable income.

### (1) Outcome of business plan

The Company reported NT\$3,145,933,000 of operating revenue, NT\$2,937,786,000 of operating cost, NT\$208,147,000 of gross profit, NT\$110,244,000 of operating expense, NT\$84,508,000 of net operating profit, and NT\$91,819,000 of total comprehensive income in 2022.

### (2) Budget execution:

None. The Company only set internal budgets and targets for 2022, and did not make any public financial forecast.

## (3) Revenues, expenses, and profitability analysis:

Unit: NTD thousands

Item		2022	2021
Profit and loss	Operating revenues	3,145,933	2,965,326
	Operating costs	2,937,786	2,771,775
	Pre-tax profit (loss)	99,041	106,276
	Comprehensive income (loss)	91,819	106,311
Profitability	Return on assets (%)	4.02	4.21
	Return on equity (%)	8.34	9.72
	Pre-tax income as a percentage of paid-up capital (%)	7.55	8.04
	Net profit margin (%)	3.15	3.59
	Earnings per share (NTD)	0.75	0.80

## (4) Research and development:

Yarn category	Ingredient	Purpose	Characteristics
37.5 Technology fibers	Volcanic rock (activated carbon)	Professional sports garment and leisure garment	Absorbs moisture from the human body through electrostatics, and uses the infrared energy emitted from human body to heat up moisture for faster evaporation. The technology helps dry the body surface and stores energy in a manner that keeps the body warm.
Environment-friendly yarn	Made from recycled polyester fibers, the product sets good example of how synthetic fibers can be recycled and reused.	For various garments and used as industrial fabrics	Reused as resources
Graphene fiber	The Company will source polyester chips mixed with appropriate contents of graphene to produce yarns.	Smart garments and wearable devices	Anti-static: The conductivity of graphene helps lower surface resistivity in fabrics. The substance also lubricates surface and reduces coefficient of friction to inhibit and minimize electric currents that may cause itchiness of the skin. Good thermal conductivity: Graphene-based textile products serve as a

Yarn category	Ingredient	Purpose	Characteristics
			regulator between the human body and the external environment, which helps keep the wearer at an ideal temperature.
BioPro (biodegradable fiber)	By infusing polyester chips with BioSphere Additive during the yarn production process, a new spinning solution is created, which can be made into hydrophilic polyester fibers	Environment-friendly fiber. Can be made into garment, headwear, backpack, and footwear.	Both the surface and internal structure of polyester fiber are biodegradable. Uses microbial enzymes to break down the C-C chain in fibers, turning PET into more simple structures that can be further broken down by bacteria. By increasing hydrophilicity, biodegradability of polyester fibers is enhanced.

2. Summary of current year's business plan:

(1) Operating guidelines

In recent years, Taiwan's textile industry has been able to capitalize on the emerging trends of functionality, fashion, and sustainability and expand presence in the global market. "Sustainability," in particular, is an area that Taiwan's synthetic fiber industry dominates in terms of competitive advantage. Out of respect for the protection of Earth's environment and corporate social responsibilities, the synthetic fiber industry is gradually adopting sustainable practices such as: use of biomass materials, recycling, reuse, low carbon footprint, environment-friendly processes, and biodegradability. In response to this trend, the Company, too, has committed significant resources into the development of "sustainable products."

For the profitability, survival, and growth of future business, the Company will continue developing differentiated products in the coming year with an emphasis on environment-friendly fibers, 37.5 Technology fibers, and graphene fibers, and commit more efforts into the development of BioPro fibers.

In addition, we have been continuously adjusting the company's operational scale and monetizing assets. We have also planned to integrate production lines to reduce electricity costs, use low-carbon emission energy, and increase the utilization rate of renewable energy. We hope to secure a place in this fiber supply chain restructuring by implementing these measures.

(2) Expected sales volume and basis

Judging by the current production capacity and market demand, the Company expects to sell 18,000 tonnes of polyester chip and 58,800 tonnes of polyester filament in 2023.

(3) Key production/sales policies:

1. Ensure seamless coordination between marketing, production, research, development, and after-sale service.

2. In response to the strengthening of global environmental awareness, there is a trend towards renewable energy and achieving zero net carbon emissions.
  3. Increase product diversity and quality, improve production procedures, and modify machinery to accommodate product portfolio adjustments and production capacity changes.
  4. Expand the scope of customer service and shorten response time.
  5. Make active use of idle capital by investing into real estate properties that yield consistent returns (in the form of rent) for additional non-operating income.
3. Future strategies, impacts of the competitive environment, regulatory environment, and the overall business environment:
- (1) In recent years, Taiwan's textile industry has transitioned from labor-intensive to being capital and technology-intensive. Meanwhile, synthetic fiber plays an important role in the textile industry's movement toward high value-adding products, and accounts for an increasing percentage in production value.
  - (2) Aside from Mainland China, Southeast Asian countries such as Vietnam, Indonesia, Thailand, and Malaysia have also emerged as prominent textile manufacturers with their abundant supply of low-cost labor, and the massive inflow of foreign capital has helped Southeast Asian countries develop the production capacity and technology needed to compete. The ongoing trade dispute between China and USA provides even more incentives for textile manufacturers to invest into Vietnam, thereby allowing the country to form its own industry chain that threatens synthetic fiber manufacturers in Taiwan. In the future, the Company will invest more pro-actively into product development and innovation, and explore ways to distinguish products from the rest of the market to ensure business continuity.
  - (3) Ensuring harmonic coexistence with the environment and creating a brighter future for planet Earth are two goals that all businesses must observe in their pursuit for growth. For this reason, the Company aims to gradually increase production of environment-friendly fibers and black yarns. By replacing general textile goods with dyed spinning solutions, the industry can greatly reduce CO2 emission as well as discharge of wastewater from dyeing, while cutting down on the use of water and chemicals by a significant extent. Through a collaboration with BioSphere, we have developed an environment-friendly fiber called "BioPro" that allows water molecules to more easily attach to the surface and structure of the otherwise hydrophobic polyester fiber, thereby allowing microorganisms to break down the material through hydrolysis and oxidation. Furthermore, the Company have already switched from heavy oil to natural gas as fuel and have also installed solar panels on the roofs of the factory to increase the use of green energy.
  - (4) Production and sale of products are not affected by the regulatory environment.

Chairman: Cheng-Tien Chan

General Manager: G.L. Lin



## Two. Company Profile

### 1. Date of incorporation:

The Company was incorporated on July 30, 1968 in accordance with The Company Act of the Republic of China, the Articles of Incorporation, and related laws, and was officially listed for trading on Taiwan Stock Exchange Corporation in December 1975 with the approval of Securities Commission, Ministry of Finance.

### 2. Company history:

The Company was incorporated on July 30, 1968 with initial address registered at 2F, No.26, Section 1, Dihua Street, Taipei City; it later relocated to No. 50-1, Minle Street, Taipei City in August 1969 and to 8F, No. 66, Tacheng Street (Tacheng Building) on July 12, 1974. The Company relocated to its current address at 7F, No. 607, Ruiguang Road, Taipei City on June 1, 2015.

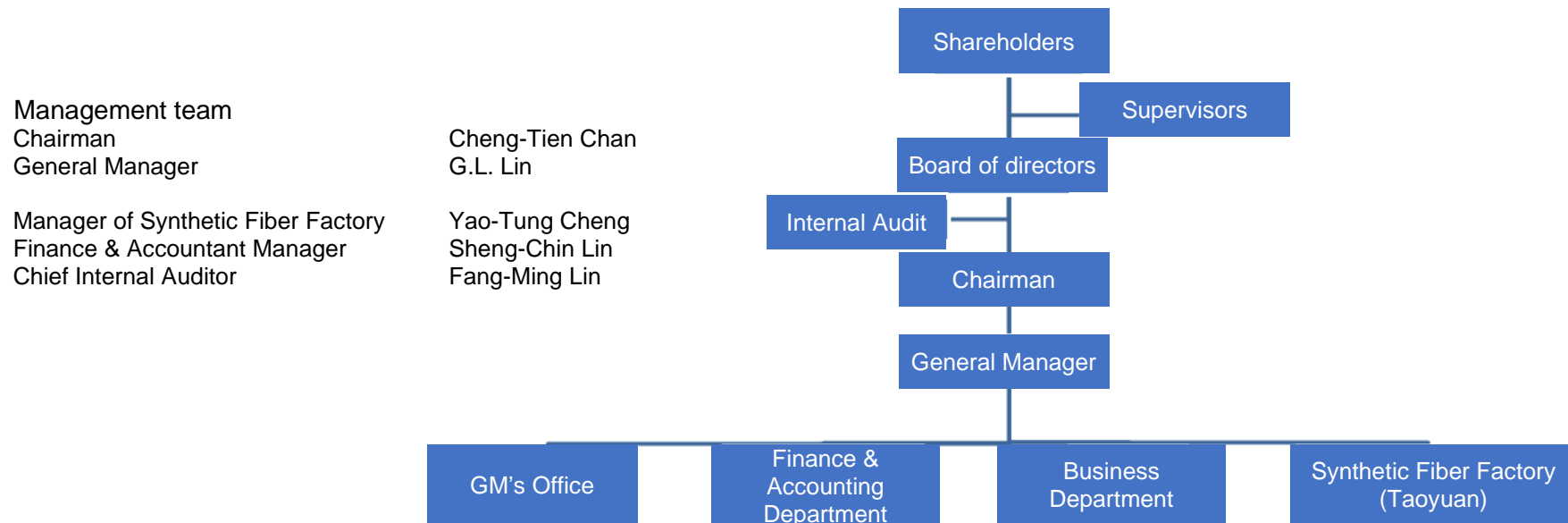
The Company was founded with an initial authorized capital of One Hundred and Fifty Million New Taiwan Dollars and initial paid-up capital of NT\$90 million. After increases and reductions throughout the years, the Company now has paid-up capital of NT\$1,321,124,540.

The Company founded its initial factory facilities in Guishan District, Taoyuan City, which featured full set of equipment designed by Uh-de GmbH and incorporated the proprietary technologies of Farbwerke Hoechst AG for the production of conventional polyester filaments. Since then, the Company has made several capacity expansions, procedure improvements, and product developments to accommodate operational and market requirements, and was able to grow to its current size today.

- (1) Mergers and acquisitions in the last financial year up until the publication date of annual report: None.
- (2) Investment and restructuring of business investments: None
- (3) Major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: None
- (4) Change of management:
- (5) Change of operations or business activities: None
- (6) Other events that are significant to shareholders' interests and impacts to the Company: None.

## Three.Implementation of corporate governance

### 1. Organization



Responsibilities of main departments:

1. GM's Office: Planning and establishment of corporate policies; oversees matters concerning information, disbursement, treasury, personnel, general affairs, product development, after-sale service, and procurement.
2. Finance & Accounting Department: Responsible for financial, accounting, bookkeeping, and public disclosure of information.
3. Business Department: Sale and export of polyester fibers.
4. Synthetic Fiber Factory: Responsible for the production of polyester fibers, quality management, warehousing management, shipping management, general affairs, and maintenance of common equipment.

## 2. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches

### (1) Background information of directors and supervisors

May 1, 2022

Position (Note 1)	Nationality or place of registration	Name	Gender/age (Note 2)	Date elected/onboard	Term of service	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Major career (academic) achievements (Note 4)	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Remarks (Note 5)
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Position	Name	Relationship	
Director	The Republic of China	Yi Jinn Industrial Co., Ltd.		June 29, 2023	3 years	June 18, 2004	3,525,000	2.07%	36,601,000	27.70%	-	-	-	-	-	-				None
Chairman	The Republic of China	Cheng-Tien Chan	Male 70-79	June 29, 2023	3 years	June 18, 2004	-	-	5,532,037	4.19%	-	-	-	-	Graduated from senior high school	1. Chairman of Yi Jinn Industrial Co., Ltd. 2. Chairman of Kwang Ming Silk Mill Co., Ltd. 3. Chairman of Yi Tong Fiber Co., Ltd. 4. Independent Director of Oriental Union Chemical Corporation	Director Director	Yu-Ching Cheng Yi-Ching Chan	Spouse Father and daughter	None
Independent director	The Republic of China	Shou-Po Chao	Male 80-89	June 29, 2023	3 years	June 22, 2016	-	-	-	-	-	-	-	-	Graduated from University of Illinois					None
Independent director	The Republic of China	Wei-Chi Huang	Male 60-69	June 29, 2023	3 years	June 22, 2016	-	-	-	-	20,000	0.02%	-	-	Graduated from University					None
Independent director	The Republic of China	Hsien-Chang Kuo	Male 60-69	June 29, 2023	3 years	June 29, 2023									Doctoral Degree					None
*Director	The Republic of China	G.L. Lin	Male 60-69	June 29, 2023	3 years	May 22, 2015	-	-	449,000	0.34	-	-	-	-	Graduated from Senior High School	General Manager				None
*Director	The Republic of China	Yu-Ching Cheng	Female 60-69	June 29, 2023	3 years	May 22, 2015	-	-	-	-	5,532,037	4.19%	-	-	Graduated from University	Director of Yi Tong Fiber Co., Ltd. Supervisor of Shin Mao Investment Co., Ltd.	Chairman Director	Cheng-Tien Chan Yi-Ching Chan	Spouse Mother and daughter	None
*Director	The Republic of China	Yi-Ching Chan	Female 30-39	June 29, 2023	3 years	May 22, 2015	-	-	-	-	-	-	-	-	Graduated from University	Supervisor of Kwang Ming Silk Mill Co., Ltd. Chairman of Shin Mao Investment Co., Ltd.	Chairman Director	Cheng-Tien Chan Yu-Ching Cheng	Father and daughter Mother and daughter	None

Position (Note 1)	Nationality or place of registration	Name	Gender/age (Note 2)	Date elected/onboard	Term of service	Date first elected (Note 3)	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Major career (academic) achievements (Note 4)	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Remarks (Note 5)
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Position	Name	Relationship	
*Director	The Republic of China	Heng-Chia Chang	Male 60-69	June 29, 2023	3 years	May 22, 2015	-	-	-	-	-	-	-	-	Graduated from college	Vice President of GM's Office Vice President of Yi Jinn Industrial Co., Ltd.				None
*Director	The Republic of China	Tse-Hua Lin	Male 50-59	June 29, 2023	3 years	June 4, 2019					-	-	-	-						None
Director	The Republic of China	Lin-Te Chen	Male 30-39	June 29, 2023	3 years	June 29, 2023	57,516	0.04%	857,516	0.65%					Master's Degree					None
Director	The Republic of China	Representative of Bowa International Leasing: Kuan-Ru Chen	Male 50-59	June 29, 2023	3 years	June 29, 2023	1,171,000	0.87%	1,171,000	0.87%	-	-	-	-						None
					3 years	June 29, 2023	96,000	0.09%	96,000	0.07%	-	-	-	-	Master's Degree					None

Note 1: For corporate shareholders, the names and representatives are stated individually (for representatives, the names of the respective corporate shareholders they represent are stated separately), and additional disclosures are made in Table 1.

Note 2: Age may be presented in ranges, such as 41-50 or 51-60.

Note 3: Any disruption of duty as a director or supervisor after the date first elected are addressed in a separate remark.

Note 4: The career background of anyone above relating to their current roles, e.g. previous employment in the CPA firm or employment in a related company, is disclosed with detailed job titles and responsibilities.

Note 5: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken (such as introduction of independent directors). Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

\*: The parties are representatives of corporate director (Yi Jinn Industrial Co., Ltd.)

## Chart 1: Major shareholders of corporate shareholders

April 1, 2023

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)			
Yi Jinn Industrial Co., Ltd.	Name of shareholder	Shareholding percentage %	Name of shareholder	Shareholding percentage %
	Yi Tong Fiber Co., Ltd.	19.21	Sheng-Min Wang	2.00
	Cheng-Tien Chan	7.96	Chuang-Yen Wang	1.71
	Shin Mao Investment Co., Ltd.	6.83	Sheng-Hung Wang	1.65
	I Jinn Industrial Co., Ltd.	6.11	Min-Gji Zhang	1.58
	Zig Sheng Industrial Co., Ltd.	2.29	Cheng-Fu Wang	1.03

Note 1: Where directors and supervisors are representatives of corporate shareholders, the names of corporate shareholders are displayed.

Note 2: The chart shows the names and shareholding percentages of major shareholders (top 10 shareholders) in each of the Company's corporate shareholders. Chart 2 below is used if the major shareholder is also a corporate entity.

Note 3: For corporate shareholders that are not corporate entities, the name of capital contributor or donor (after making inquiries with the Judicial Yuan) and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage. Deceased donors are noted as "Deceased."

Chart 2: Major shareholders of major corporate shareholders listed in Chart 1

April 1, 2023

Name of corporate entity (Note 1)	Major shareholders of the corporate entity (Note 2)			
Yi Tong Fiber Co., Ltd.	Yi Jinn Industrial Co., Ltd. Cheng-Tien Chan Yi-Ching Chan Fu-Ming Transport Corporation Hsin Sin Textile Co., Ltd.	46.81% 8.31% 7.58% 5.94% 4.75%	Yuan Faun Ltd. Hsiou-Ching Huang Jang Jang Co., Ltd. Zig Sheng Industrial Co., Ltd. Lan Fa Textile Co., Ltd.	3.56% 2.37% 1.52% 1.52% 1.52%
I Jinn Industrial Co., Ltd.	Nian Shing Investment Co., Ltd. Kuang Shun Investment Co., Ltd. Chiu-Yuan Chan Bessky Investment Co., Ltd. Ji Yuan Investment Co., Ltd.	24.97% 18.07% 8.54% 7.83% 5.41%	Chun-Hsiang Chen Chun-Chieh Chen Hsin-Fu Huang Kuo-Lun Huang Bright Sequence Enterprise Co., Ltd.	4.98% 4.79% 3.41% 3.41% 2.56%
Shin Mao Investment Co., Ltd.	Yi Jinn Industrial Co., Ltd. Yi-Ching Chan Cheng-Tien Chan Yi Tong Fiber Co., Ltd. I Jinn Industrial Co., Ltd.	35.33% 25.78% 15.30% 12.15% 11.44%		
Zig Sheng Industrial Co., Ltd.	Yi Sheng Investment Co., Ltd. Pai-Huang Su Ching-Yuan Su Chiang Yo Sheng Co., Ltd. Treasury stock of Zig Sheng Industrial Co., Ltd.	8.63% 4.44% 4.40% 3.27% 3.52%	Shou-Chun Yeh Tsung-Hao Yeh Shuo Chuan Co., Ltd. Ching-Lang Su Ching-Fu Su	3.22% 2.04% 2.94% 2.51% 2.19%

Note 1: Where the major shareholders listed in Chart 1 are corporate entities, the names of the corporate entities are displayed.

Note 2: The chart shows the names and shareholding percentages of major shareholders (top 10 shareholders) in each of the Company's corporate shareholders.

Note 3: For corporate shareholders that are not corporate entities, the name of capital contributor or donor (after making inquiries with the Judicial Yuan) and percentage of capital contribution or donation are shown instead of shareholder name and shareholding percentage. Deceased donors are noted "Deceased."

## Background of directors and supervisors (2)

### 1. Directors'/supervisors' expertise and independent directors' independence:

Criteria Name	Professional qualification and experience (Note 1)	Independence criteria (Note 2)	Number of concurrent positions as independent director in other public companies
Cheng-Tien Chan	Graduated from senior high school Chairman of Yi Jinn Industrial Co., Ltd. Chairman of Kwang Ming Silk Mill Co., Ltd. Independent Director of Oriental Union Chemical Corporation Chairman of Taiwan Textile Federation	Chairman of the Company	1
Yi-Ching Chan	Graduated from University Director of Yi Jinn Industrial Co., Ltd. Supervisor of Kwang Ming Silk Mill Co., Ltd.	2nd-degree relative of the Company's Chairman	None
Yu-Ching Cheng	Graduated from University Director of Yi Jinn Industrial Co., Ltd. Director of Kwang Ming Silk Mill Co., Ltd.	Spouse of the Company's Chairman	None
G.L. Lin	Graduated from Senior High School Director of Hung Chou Fiber Industrial General Manager of Hung Chou Fiber Industrial	General Manager of the Company	None
Heng-Chia Chang	Graduated from college Vice President of Yi Jinn Industrial Director of Yi Tong Fiber Co., Ltd.	Vice President of the parent company	None
Tse-Hua Lin	Graduated with Master's Degree Assistant Vice President of Yi Jinn Industrial	Assistant Vice President of the parent company	None
Shou-Po Chao (Independent Director)	Graduated from University of Illinois Former Chairperson of the Council of Labor, Executive Yuan Adjunct Professor of National Changhua University of Education Department of Industrial Education and Technology	Does not exhibit any of the conditions listed in (Note 2)	None

Criteria Name	Professional qualification and experience (Note 1)	Independence criteria (Note 2)	Number of concurrent positions as independent director in other public companies
Wei-Chi Huang (Independent Director)	Graduated from University General Secretary of Taiwan Textile Federation	Does not exhibit any of the conditions listed in (Note 2)	None
Hsien-Chang Kuo (Independent Director)	Ph.D. in Administration, National Chiao Tung University Independent Director of LEATEC Fine Ceramics Co., Ltd Director of First Financial Assets Management Co., Ltd.	Does not exhibit any of the conditions listed in (Note 2)	1
Lin-Te Chen	Graduated with Master's Degree Director of Fu Hsun Fiber Industries Co., Ltd. Director of Hung Chou Fiber Industrial	Does not exhibit any of the conditions listed in (Note 2)	None
Kuan-Ru Chen	Graduated with Master's Degree Chairman of Thunder Tiger Corporation Chairman of TT BIO Corp. Vice Chairman of Central Insurance Co., Ltd.	Does not exhibit any of the conditions listed in (Note 2)	None

Note 1: Professional qualification and experience: Describe the professional qualification and experience of individual directors and supervisors; for Audit Committee members with accounting or financial expertise, describe their background and work experience in the field of accounting or finance. Also, explain whether any of the conditions mentioned in Article 30 of The Company Act applies.

Note 2: For independent directors, describe compliance with the independence criteria, including but not limited to: whether they themselves or spouse or 2nd-degree relatives or closer serve as director, supervisor, or employee at the Company or any of its affiliated enterprises; the number and percentage of shareholding in the Company by self, spouse, 2nd-degree relative or closer (or proxy holder); whether they assume position as director, supervisor, or employee in any entity that the Company has special relationship with (see Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and amount of compensation received from the Company or affiliated enterprises thereof in the last 2 years for commercial, legal, financial, or accounting services rendered.

Note 3: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.



## 2. Diversity and independence of the board of directors:

### (1) Board diversity:

Board members should be diversified in a manner that supports the Company's operations, business activities, and growth requirements, provided that the number of directors who concurrently hold managerial positions do not exceed one-third of the board. The diversification policy should include, but is not limited to the following two principles:

1. Background and value: Gender, age, nationality, culture etc.
2. Knowledge and skills: Career background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience. All board members shall possess the knowledge, skills, and characters needed to exercise their duties. For ideal corporate governance, the board of directors as a whole shall possess the following capacities:
  1. Operational judgment. 2. Accounting and financial analysis. 3. Business administration. 4. Crisis management. 5. Industry knowledge. 6. Vision of the global market. 7. Leadership. 8. Decision making.

Name	Nationality	Gender	Operational decision making	Accounting and financial analysis	Business administration	Crisis management	Industry knowledge	International markets	Leadership	Decision making
Cheng-Tien Chan	The Republic of China	Male	V	V	V	V	V	V	V	V
Yi-Ching Chan	The Republic of China	Female	V		V	V		V		V
Yu-Ching Cheng	The Republic of China	Female	V		V	V		V	V	V
G.L. Lin	The Republic of China	Male	V		V	V	V	V	V	V
Heng-Chia Chang	The Republic of China	Male	V		V	V	V	V	V	V
Tse-Hua Lin	The Republic of China	Male	V		V	V	V	V	V	V
Kuan-Ru Chen	The Republic of China	Male	V		V	V		V	V	V
Lin-Te Chen	The Republic of China	Male	V	V	V			V	V	V
Shou-Po Chao	The Republic of China	Male	V		V	V		V	V	V
Wei-Chi Huang	The Republic of China	Male	V		V	V	V	V	V	V
Hsien-Chang Kuo	The Republic of China	Male	V	V	V	V	V	V	V	V
Diversity policy and goals		2	11	2	8	8	6	6	6	6
Accomplishment of diversity policy		Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied

In an attempt to improve the diversity of directors' knowledge and skills, the

Company would recommend or enroll the above courses for directors as a priority when planning their 6-hour ongoing education each year. All course fees are covered by the Company.

(2) Board independence:

At the shareholder's meeting held on June 29, 2022, The company elected eight directors, including three independent directors. None of the independent directors exhibited any of the conditions described in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act with the Company or other board members. Although three of the directors (including Chairman) have relationships characterized as spouse or 2nd-degree relative and closer while three of the directors concurrently serve as managers of the Company or parent company, these directors would recuse from the discussion and voting of motions that concern their personal stakes during board meetings, and have these motions discussed and voted among independent directors and other directors that do not hold stake in the matters discussed. This arrangement helps ensure independence of the board of directors.(On March 2, 2023, the 19th board of directors of our company passed a motion to add one independent director with the same term as the current board. With the addition of the independent director, the proportion of independent directors in the board of directors has increased to one-third, enhancing the independence of the board.).

(2) Background information of the President, vice presidents, assistant vice presidents and heads of various departments and branches

April 25, 2021

Position (Note 1)	Nationality	Name	Gender	Date onboard	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Major career (academic) achievements (Note 2)	Concurrent duties in other companies	Spouse or relatives of second degree or closer serving as managers			Remarks (Note 3)
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Position	Name	Relationship	
General Manager	The Republic of China	G.L. Lin	Male	February 1, 2015	449,000	0.34	-	-	-	-	Graduated from Senior High School	-	-	-	-	None
Manager of Finance and Accounting	The Republic of China	Sheng-Chin Lin	Male	October 1, 1997	-	-	-	-	-	-	Master's Degree	-	-	-	-	None

Note 1: Includes background information of the President, vice presidents, assistant vice presidents, heads of various departments and branches, and anyone of equivalent authority to the above, regardless of their job titles.

Note 2: The career background of anyone above relating to their current roles, e.g. previous employment in the CPA firm or employment in a related company, is disclosed with detailed job titles and responsibilities.

Note 3: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality, and necessity of such an arrangement and any response measures taken, such as introduction of independent directors.

Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

(3) Compensation paid to non-independent directors, independent directors, supervisors, the President, and vice presidents

(1) Compensation to non-independent and independent directors

Unit: NTD thousands

Position	Name	Directors' compensation								Sum of A, B, C and D as a percentage of net income (Note 10)		Compensation received as employee								The sum of A, B, C, D, E, F and G as a percentage of net income (%) (Note 10)		Compensation from parent company or business investments other than subsidiaries (Note 11)
		Benefits (A) (Note 2)		Severance pay and pension (B)		Director remuneration (C)(Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Severance pay and pension (F)		Employee remuneration (G) (Note 6)						
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	
Director	Cheng-Tien Chan	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	4,470
Director	Representative of Yi Jinn Industrial -Yu-Ching Cheng	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	798
Director	Representative of Yi Jinn Industrial -Yi-Ching Chan	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	798
Director	Representative of Yi Jinn Industrial -G.L. Lin	-	-	-	-	-	-	120	120	0.12%	0.12%	5,260	5,260	-	-	-	-	-	-	5.43%	5.43%	None
Director	Representative of Yi Jinn Industrial -Heng-Chia Chang	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	1,099
Director	Representative of Yi Jinn Industrial -Tse-Hua Lin	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	1,095
Director	Te-Feng Chan	-	-	-	-	-	-	60	60	0.06%	0.06%	-	-	-	-	-	-	-	-	0.11%	0.11%	None
Director	Lin-Te Chen	-	-	-	-	-	-	-	-	0.06%	0.06%	-	-	-	-	-	-	-	-	0.06%	0.06%	None

Position	Name	Directors' compensation						Sum of A, B, C and D as a percentage of net income (Note 10)		Compensation received as employee						The sum of A, B, C, D, E, F and G as a percentage of net income (%) (Note 10)		Compensation from parent company or business investments other than subsidiaries (Note 11)
		Benefits (A) (Note 2)		Severance pay and pension (B)		Director remuneration (C)(Note 3)				Fees for services rendered (D) (Note 4)		Salaries, bonuses, special allowances etc. (E) (Note 5)		Severance pay and pension (F)				
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	
Director	Representative of Bowa International Leasing - Kuan-Ru Chen							0.06%	0.06%							0.06%	0.06%	None
Independent director	Shou-Po Chao					360	360	0.36%	0.36%							0.36%	0.36%	None
Independent director	Wei-Chi Huang					360	360	0.36%	0.36%							0.36%	0.36%	None
Independent director	Hsien-Chang Kuo					180	180	0.18%	0.18%							0.18%	0.18%	None

\* 1. Please explain the policy, system, standards, and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:  
2. Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

Severance pay and pension for directors: 1. Amounts paid in the most recent year: NT\$0

2. Severance pay and pension provided and expensed in the most recent year: NT\$0

New restricted shares acquired as employee: None.

Note 1: Directors' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representative are presented separately) and distinguished between independent and non-independent directors, while the amounts are presented in aggregate sums. Any directors who co-headed the President or Vice President positions are disclosed in this chart and in Chart (3-1), or Charts (3-2-1) and (3-2-2).

Note 2: Refers to director's compensation in the last year (including salary, allowance, severance pay, various bonuses, incentives etc.).

Note 3: Represents the amount of director remuneration that the board has proposed as part of the latest earnings appropriation.

Note 4: Refers to compensation paid for services rendered (including travel, special allowances, subsidies, accommodation, corporate vehicle, and in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies are also disclosed. Where personal drivers were assigned, a footnote disclosure explaining the amount

of compensations made to drivers is provided; these compensations do not count toward compensations of the above beneficiaries.

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, in-kind benefits etc. that the director received in the last year for assuming the role of a company employee (such as General Manager, vice president, manager, or other employee). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies are also disclosed. Where personal drivers were assigned, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward compensations of the above beneficiaries. Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee warrants, restricted employee shares, and subscription to cash issues are also treated as compensation.

Note 6: Refers to any compensation that the director received (in cash or in shares) in the last year for assuming the role of an employee (such as General Manager, vice president, manager, or other employees). The amount of employee remuneration proposed by the board of directors in the last year has been disclosed (where the amount could not be estimated, the percentage of amount paid in the last year was used to calculate pro-forma amount for the current year). Chart 1-3 has also been completed for reference.

Note 7: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of compensation paid by the Company to each director has been disclosed in ranges.

Note 9: The details represent the range of compensation paid by the consolidated entity (including the Company) to each director.

Note 10: Net income refers to the amount reported in the most recent year. If IFRSs have been adopted, net income shall refer to the amount shown in the latest standalone or separate financial statements.

Note 11: a. This field represents all forms of compensation that the director received from the Company's parent company or business investments other than subsidiaries (or "None" if absent).

b. For directors who received compensation from parent company or business investments other than subsidiaries, amounts received from these business investments or parent company have been added to column I of the compensation brackets table. In which case, column I will be renamed "...parent company and all business investments..."

c. Compensation refers to any benefit, remuneration (including remuneration received as an employee, director, and supervisor), and professional service fee that the Company's director received for serving as director, supervisor, or manager in the parent company or business investments other than subsidiaries.

\* The basis of compensation disclosed above is different from the basis of the income tax law, hence the above table has been prepared solely for information disclosure, and not for tax purpose.

## (2) Supervisors' compensation

Unit: NTD thousands

Position	Name (Note 1)	Supervisors' compensation						The sum of A, B and C as a percentage of net income (Note 8)		Compensation from parent company or business investments other than subsidiaries (Note 9)
		Benefits (A) (Note 2)		Remuneration - share of profit (B) (Note 3)		Fees for services rendered (C) (Note 4)		The Company	All companies included in the financial statements (Note 5)	
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)			
Supervisors	Lin-Te Chen	-	-	-	-	60	60	0.12%	0.12%	None
Supervisors	Representative of Bowa International Leasing: Kuan-Ru Chen	-	-	-	-	60	60	0.12%	0.12%	None

Severance pay and pension for supervisors:

1. Amounts paid in the most recent year: NT\$0
2. Severance pay and pension provided and expensed in the most recent year: NT\$0

Note 1: Supervisors' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representative are stated separately), whereas the amount of benefits and allowances are presented in aggregate sums.

Note 2: Refers to supervisors' compensation in the last year (including salaries, allowances, severance pay, various bonuses and incentives etc.).

Note 3: This is the amount of supervisors' remuneration that the board of directors has proposed as part of last year's earnings distribution and is pending shareholders' resolution.

Note 4: Refers to compensation paid for services rendered in the last year (including travel, special allowances, subsidies, accommodation, corporate vehicle and in-kind benefits). Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies are also disclosed. Where personal drivers were assigned, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward compensations of the above beneficiaries.

Note 5: The disclosure includes all companies included in the consolidated financial statements (including the Company), and represents total amount of compensation paid by all companies above to the Company's supervisors.

Note 6: The amount of compensation paid by the Company to each supervisor has been disclosed in ranges.

Note 7: The details represent the range of compensation paid by all companies in the consolidated financial statements (including the

Company) to each supervisor.

Note 8: Net income refers to the amount reported in the most recent year. If IFRSs have been adopted, net income shall refer to the amount shown in the latest standalone or separate financial statements.

Note 9: a. This field represents all forms of compensation that the supervisor received from the Company's parent company or business investments other than subsidiaries (or "None" if non-existent).

b. For supervisors who received compensation from parent company or business investments other than subsidiaries, amounts received from these business investments or parent company have been added to column D of the compensation brackets table. In which case, column D will be renamed "...parent company and all business investments..."

c. Compensation refers to any benefits, remuneration (including remuneration received as an employee, director and supervisor) and professional service fees that the Company's supervisors received for serving as directors, supervisors or managers in business investments other than subsidiaries.

\* The basis of compensation disclosed above is different from the basis of the income tax law, hence the above table has been prepared solely for information disclosure, and not for tax purpose.



### (3) Compensation to the President and vice presidents

Position	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and special allowance (C) (Note 3)		Employee remuneration (D) (Note 4)				Sum of A, B, C and D as a percentage of net income (%) (Note 8)		Compensation from parent company or business investments other than subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Profit sharing in cash	Profit sharing in shares	Profit sharing in cash	Profit sharing in shares			
General Manager	G.L. Lin	2,400	2,400	-	-	2,860	2,860	-	-	-	-	5.43%	5.43%	-

\* Disclosure is mandatory for persons who hold positions equivalent to a President or vice president (e.g. group president, CEO, general manager etc.).

Note 1: The names of President and vice presidents are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums. Any directors who co-headed the President or vice president positions are disclosed in this chart and in Chart (1-1), or Charts (1-2-1) and (1-2-2).

Note 2: Refers to salaries, allowances, and severance pay made to the President and vice presidents in the last year.

Note 3: Refers to other compensations such as bonus, incentive, travel allowance, special allowance, subsidy, accommodation, corporate vehicle, or other in-kind benefits made to the President and vice presidents. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies are also disclosed. Where personal drivers were assigned, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward compensations of the above beneficiaries. Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee warrants, restricted employee shares, and subscription to cash issues are also treated as compensation.

Note 4: Represents the amount of employee remuneration allocated to the President and vice presidents (in cash or in shares), which the board of directors has proposed as part of the most recent earnings distribution (where the amount could not be estimated, the percentage of amount paid in the last year was used to calculate pro-forma amount for the current year). Chart 1-3 has been prepared in addition to the above details. Net income refers to the amount reported in the most recent year. If IFRSs have been adopted, net income shall refer to the amount shown in the latest standalone or separate financial statements.

Note 5: Compensation is presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company's President and vice presidents.

Note 6: The amount of compensation paid by the Company to its President and vice presidents are disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's President and vice presidents. The names of President and vice presidents have been disclosed separately in ranges.

Note 8: Net income refers to the amount reported in the most recent year. If IFRSs have been adopted, net income shall refer to the amount shown in the latest standalone or separate financial statements.

Note 9: a. This field represents all forms of compensation that the President and vice presidents received from the Company's parent company or business investments other than subsidiaries (or "None" if absent).

b. For President/vice presidents who receive compensation from parent company or business investments other than subsidiaries, the amount of compensation from parent company or business investments have been added to column E of the compensation brackets table. In which case, column E will be renamed

“...parent company and all business investments...”

c. Compensation refers to any benefit, remuneration (including remuneration received as an employee, director, and supervisor), and professional service fee that the Company's President and vice presidents received for serving as director, supervisor, or manager in the parent company or business investments other than subsidiaries.

\* The basis of compensation disclosed above is different from the basis of the income tax law, hence the above table has been prepared solely for information disclosure, and not for tax purpose.

(4) Compensation for top-5 paid managers: Not applicable

(5) Managers entitled to employee profit-sharing and details of payment received: None

(4) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and vice presidents, and their respective proportions to standalone and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks.

Directors', supervisors', President's, and vice presidents' compensations paid in the last two years as a percentage to net income

	Total compensation as a percentage of net income (%)	
	2022	2021
Director		4.75
Supervisors	0.24	0.22
General Manager and vice presidents		3.30

1. The Company does not compensate directors and supervisors except for travel allowance.
2. The General Manager and vice presidents are compensated mainly in the forms of salary and bonus. The amount of compensation is determined based on the responsibilities borne, their contributions to the Company, and peer levels.
3. Compensations to directors, supervisors, the General Manager, and vice presidents have fully taken into account the Company's revenue and business performance.
4. The Company assembled a Remuneration Committee on December 27, 2011 that regularly reviews and adjusts directors', supervisors', and managers' compensation.

### 3. Corporate governance

#### (1) Functionality of board of directors:

A total of 7 meetings (A) were held in the last year (2022); below are the directors' and supervisors' attendance records:

Position	Name (Note 1)	No. of in-person attendance (B)	Proxy attendances	Percentage of in-person attendance (%) (B/A) (Note 2)	Remarks
Chairman	Cheng-Tien Chan	7	0	100.00%	
Director	Yi-Ching Chan	0	0	0%	
Director	Yu-Ching Cheng	7		100.00%	
Director	G.L. Lin	6	1	85.71%	
Director	Heng-Chia Chang	7	0	100.00%	
Director	Tse-Hua Lin	7	0	100.00%	
Director	Te-Feng Chan	1	0	33.33%	Should attend 3 times
Director	Lin-Te Chen			100.00%	Should attend 4 times
Director	Kuan-Ru Chen			75.00%	Should attend 4 times
Independent director	Shou-Po Chao	4	1	80.00%	
Independent director	Wei-Chi Huang	5	0	100.00%	
Independent director	Hsien-Chang Kuo			100.00%	Should attend 4 times

Note: that in the shareholders' meeting held on June 29th, 111th year of the company, eight general directors and three independent directors were elected for the 19th board of directors. The three independent directors formed the audit committee to replace the supervisor. Chen Defeng, a director from the 18th board, did not run for this term, while supervisors Chen Guanru and Chen Lindeng were elected as directors for this term.

Other mandatory disclosures:

- For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions and how the Company has responded to such opinions.

- (1) Conditions described in Article 14-3 of the Securities and Exchange Act:

Date of board meeting	Session	Motion details and resolution
March 3, 2022	The 13th meeting of the 18th board	*To accommodate the establishment of the audit committee, the related rules and procedures related to the supervisors (procedures for acquiring and disposing of assets, procedures for lending funds to others, endorsement and guarantee procedures, and the method of electing directors and supervisors) were revised and discussed.".
		Independent Directors' opinions: no objection or reservation Company's response to independent directors' opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.
		* Discussion of the establishment of the "Audit Committee Organizational Regulations" .
		Independent Directors' opinions: no objection or reservation Company's response to independent directors' opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.
		*Discussion of amendments to "Articles of Incorporation" Independent Directors' opinions: no objection or reservation Company's response to independent directors' opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.
March 29, 2022	The 14th meeting of the 18th board	*Discussion of amendments to "Articles of Incorporation"
		Independent Directors' opinions: no objection or reservation Company's response to independent directors' opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.
		* Discussion on changing the auditor for the certification of the financial report
Independent Directors' opinions: no objection or reservation Company's response to independent directors' opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.		
May 5, 2022	The 15th meeting of the 18th board	*Discussion on the removal of non-compete restrictions for new directors. Director Cheng-Tien Chan, Director Yu-Ching Cheng, Director Yi-Ching Chan, and Director Lin-Te Chen held stake in the motion and recused themselves from discussion and resolution.
		Independent Directors' opinions: no objection or reservation Company's response to independent directors' opinions: Not applicable Resolution: Except for the directors who recused themselves from discussion and voting due to personal stake, the motion was passed as proposed without objection from remaining directors present at the meeting when inquired by the chair.

Date of board meeting	Session	Motion details and resolution
June 29, 2022	The 1st meeting of the 19th board	Does not exhibit any of the conditions described in Article 14-3 of the Securities and Exchange Act
August 3, 2022	The 2nd meeting of the 19th board	<p>*Discussion on the eligibility of members of the 5th “Remuneration Committee” Independent Directors Shou-Po Chao and Wei-Chi Huang recused themselves to involvement of personal stake. Independent Directors’ opinions: no objection or reservation Company’s response to independent directors’ opinions: Not applicable Resolution: Except for the directors who had recused from discussion and voting due to personal stake, the motion was passed as proposed without objection from remaining directors present at the meeting when inquired by the chair.</p>
November 3, 2022	The 3rd meeting of the 19th board	<p>* Discussion on reclassifying the portion of prepaid expenses outstanding for more than three months as non-loan items. Independent Directors’ opinions: no objection or reservation Company’s response to independent directors’ opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.</p>
		<p>*Discussion of directors’, supervisors’, and managers’ compensation proposed during the 1st meeting of the 5th Remuneration Committee Director G.L. Lin was recused to involvement of personal stake. Independent Directors’ opinions: no objection or reservation Company’s response to independent directors’ opinions: Not applicable Resolution: Except for the directors who had recused from discussion and voting due to personal stake, the motion was passed as proposed without objection from remaining directors present at the meeting when inquired by the chair.</p>
		<p>*Discussion of amendments to Section 14 - “Material Insider Information Handling Procedures,” Chapter 8 of the Company’s Internal Control System Independent Directors’ opinions: no objection or reservation Company’s response to independent directors’ opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.</p>
		<p>Independent Directors’ opinions: no objection or reservation Company’s response to independent directors’ opinions: Not applicable Resolution: This motion was unanimously passed as proposed without objection from all attending directors upon inquiry by the chair.</p>

\*CPA independence and suitability assessment:

Motion 3 in the list of “(4) Reports on other important issues” during the board meeting held on March 3, 2022: Regular assessment of financial statement auditors’ independence. According to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies,” the Company is required to evaluate financial statement auditor’s independence on a regular

basis (once a year). Based on internal self-assessment of financial statement auditor's independence, the Company found no issue that would compromise the independence of its financial statement auditor. The same unit that organized board meetings had conducted the assessment for 2021, and the subjects of assessment were CPA Shu-Ying Chang and CPA Shih-Chin Chi of KPMG Taiwan. As part of the assessment criteria, the Company evaluated whether the CPAs: "had any direct or indirect financial interest with the Company," "had any financing or guarantee arrangement with the Company," "had any close business dealings or potential employment relations with the Company," "assumed the role of director, manager, or any position within the Company that had significant influence over audit tasks," "offered any non-audit service that may directly impact audit tasks," "served as intermediary for the shares or securities issued by the Company," "served as the Company's defense attorney or represented the Company in mediating conflict with a third party," and "were related to directors, managers, or any personnel that had significant influence over audit tasks". Outcome of assessment: None of the financial statement auditors exhibited any of the issues described in the independence criteria. The financial statement auditors were deemed to have met independence requirements, and the financial statements issued by them are considered reliable.

- (2) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.
2. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting outcome:
    - (1). Motion details: August 3, 2022 (second meeting of the 19th board) Discussion on the qualification of appointing members for the fifth term of the Compensation Committee.  
Name of recused director: Shou-Po Chao Wei-Chi Huang  
Reason for recusal and vote outcome: Except for the directors who were recused from discussion and voting due to personal stake, the motion was passed as proposed without objection from remaining directors present at the meeting when inquired by the chair.
    - (2). Motion details: November 3, 2022 (third meeting of the 19th board) Discussion of directors', supervisors', and managers' compensation proposed during the first meeting of the 5th Remuneration Committee.  
Name of recused director: G.L. Lin.

Reason for recusal and vote outcome: Except for the directors who were recused from discussion and voting due to personal stake, the motion was passed as proposed without objection from remaining directors present at the meeting when inquired by the chair

3. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and progress of such enhancements:
  1. “Board performance assessment” and “Board meeting organizer self-assessment” averaged a score of 4.8; overall performance was close to Exceptional. “Board member self assessments” averaged a score of 4.7; overall performance was close to Exceptional. “Functional Committee Performance Self-assessment” averaged a score of 4.9; overall performance was close to Exceptional. (Out of a total of 5)
  2. Execution of Board Performance Evaluation (fifth meeting of the 19th board dated March 2, 2023)

Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
conducted annually.	Start: January 1, 2022 End: December 31, 2022	Board of directors	Board of directors internal self-assessment	Board performance assessment: board’s participation in the Company’s operations, the quality of board’s decisions, the board’s composition, election and ongoing education of board members, and enforcement of internal control.
conducted annually.	Start: January 1, 2022 End: December 31, 2022	Individual director members	Director self-assessment	Director individual performance assessment: director’s awareness toward the Company’s goals and missions, awareness to duties, level of participation in the Company’s operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control.
conducted annually.	Start: January 1, 2022 End: December 31, 2022	Functional committee (Remuneration Committee)	Peer assessment	Performance assessment for functional committees: participation in the Company’s operations, awareness to duties, quality of committee’s decisions, composition



Assessment cycle (Note 1)	Assessment duration (Note 2)	Scope of assessment (Note 3)	Assessment method (Note 4)	Assessment details (Note 5)
				and member selection, and enforcement of internal control.

Note 1: This is the execution cycle for the board evaluation, for example: once a year.

Note 2: This is the coverage period for the board evaluation, for example: evaluating the performance of the board from January 1, 2019 to December 31, 2019.

Note 3: The evaluation scope includes the performance evaluation of the board, individual directors, and functional committees.

Note 4: The evaluation methods include internal self-evaluation of the board, self-evaluation of individual directors, peer evaluation, appointment of external professional organizations, experts, or other appropriate methods for performance evaluation.

Note 5: The evaluation content at least includes the following items according to the evaluation scope:

- (1) Board performance evaluation: at least includes participation in company operations, board decision-making quality, board composition and structure, director selection and continuous education, internal control, etc.
- (2) Individual director performance evaluation: at least includes the grasp of company goals and tasks, director's understanding of responsibilities, participation in company operations, internal relationship management and communication, director's expertise and continuous education, internal control, etc.
- (3) Functional committee performance evaluation: participation in company operations, functional committee's understanding of responsibilities, functional committee decision-making quality, functional committee composition and member selection, internal control, etc.

4. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and progress of such enhancements:

- (1) The board of directors functions and exercises its authority in accordance with laws, the Articles of Incorporation, and shareholders' resolutions. All directors possess the professional knowledge, skills, and characters needed to perform their duties, and serve in the best interest of shareholders by upholding integrity principles and duty of care.
- (2) The Company has elected independent directors while the board of directors is committed to enforcing sound corporate governance, rigorous monitoring, and best management practices. The Company has complied with instructions of the authority and established Board of Directors Conference Rules that outline details concerning key motions, procedures, minutes, announcements, and other compliance matters related to board meetings. All board meetings are organized according to rules.
- (3) The Company organizes annual board performance evaluations and makes arrangements to enhance functionality of the board of directors. The internal

audit unit makes annual audit plans, executes accordingly, and prepares audit reports. Audit report for a given month is presented to independent directors and supervisors for review at the end of each month, and presented to the board of directors every quarter.

- (4) The Company assembled its first Remuneration Committee with board of directors' resolution sought during the meeting held on **December 27, 2011**. Members for the 5th Remuneration Committee were elected during the board of directors meeting held on **August 3, 2022**, and two out of the three newly elected Remuneration Committee members were independent directors. The committee held two meetings as required by policy in 2022 to review directors' and managers' compensation policy, and contributed to the enforcement of corporate governance.
- (5) On June 29, 2022, The company elected three independent directors and established an audit committee to replace the supervisor. The audit committee held three meetings in 2022 and submitted the resolutions to the board of directors for approval to implement effective corporate governance.

(2) Involvement of Audit Committee members or supervisors in board of directors meetings:

1. The operation of the audit committee in the operation of the board of directors :

1. Operation of the Audit Committee:

The company set up an audit committee to replace the supervisor on June 29, 2022. The three audit committee members are all independent directors. On June 29, 2022, the term of office of the first Audit Committee was from 2022/6/29 to 2025/6/28. From January 1, 2022 to December 31, 2022, the Audit Committee held 3 meetings (A). The attendance of independent directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Shou-Po Chao	3	0	100	
Committee member	Wei-Chi Huang	3	0	100	
Committee member	Hsien-Chang Kuo	3	0	100	

The Company's Audit Committee is composed of the entire number of independent directors and meets at least quarterly to deliberate on matters including :

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual and semi-annual financial reports.
11. Other material matters as may be required by the Company or by the Taiwan competent authority.

Other matters required to be recorded :

- A. Operation of the Audit Committee shall, if any of the following, specify date of meeting, period, contents of motions, resolution of Audit Committee and handling against opinions of Audit Committee.
- (a) The matters listed in Article 14-5 of the Securities Exchange Act.

1. The 1st meeting of the 1st session of the Audit Committee on August 3 2022.

(1) Content of motion : Discussion on the company's financial report for the second quarter of 2022

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

2 .The 2st meeting of the 1st session of the Audit Committee on November 3 2022.

(1) Content of motion : Discussion on the 2022 three quarter financial statements of the Company and the quarterly financial statements and business report reviewed by CPA.

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

(2) Content of motion : Discussion on the company to revise the internal system system Chapter 8, Section 14 "Internal Material Information Handling Procedures (Management to Prevent Insider Trading)

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

- (3) Content of motion : Regarding the balance of prepaid expenses that have been overdue for more than three months in the third quarter of 2022, it is being discussed to reclassify it as a non-fund lending case.

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

3. The 3rd meeting of the 1st session of the Audit Committee on December 22 2022.

- (1) Content of motion : Discussed and updated the company's internal control system, Chapter 8, Section 15, "Procedures for Preventing Insider Trading Management".

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

- (2) Content of motion : Discuss To formulate the Company's general principles for pre-approved non-assurance service policies (in accordance with the revised standards of the International Ethics Standards Board for Accountants, IESBA)

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

- (3) Content of motion : Discussion on the independence and suitability of the Company's CPA and review of audit fees.

Independent directors' objection, reservation or material proposed items content : None

Resolution of Audit Committee : The chairman consulted all the attending committee members and passed the proposal without any objection, and submitted the case to the board of directors for resolution.

The Company's Resolution of the Audit Committee's Opinion : The proposal shall be presented to the board of directors for resolution. The chairman consulted all the directors present and agreed and passed the resolution.

- (b) Except for the preceding matters, other matters not approved by the Audit Committee and approved by two-thirds or more of all directors : None.

※ Review of financial report

The Company's 2021 financial statements, the business report, and the distribution of earnings and the quarterly financial statements for the year ended December 31, 2022, among which

the 2022 quarterly financial statements have been audited by Pan Jun-Ming, Chang Shu-Ying of KPMG Taiwan, and a written auditor's report was issued. The aforementioned business report, financial statements and profit distribution were approved after the chairman consulted all the members present and raised no objection, and the proposal will submit to the board of directors for resolution. (In 2021, the CPAs were Chang Shu-Ying and Chih Shih-Chin).

- B. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified :  
None.
- C. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs ( including the items, methods and results of audits of corporate finance or operations, etc. ) : The Company's independent directors are the Audit Committee members, The Company's CPAs shall meet with the Audit Committee at least once a year for face-to-face communication. The Company's Chief Internal Auditor and Accounting Officer communicate with the Audit Committee members (independent directors) mainly after the Board Meeting or Audit Committee Meeting.
1. Communications between the Audit Committee members (independent directors) and CPAs: On 2022/12/22, the three independent directors, Shou-Po Chao, Wei-Chi Huang, Hsien-Chang Kuo, had a face-to-face meeting with Pan Jun-Ming, Chang Shu-Ying of KPMG Taiwan.
  2. Communication between the audit committee (independent director) and the internal audit supervisor and accounting supervisor
    1. The audit unit shall send a monthly internal audit report to the independent director for review.
    2. Report the implementation of the quarterly internal audit plan to the board of directors. In the meeting, the directors (including independent directors) shall give full explanation immediately if they have any problems.
    3. Each quarter / year, the CPA shall issue the written document of the financial statements review/audit report, and communicate with the Audit Committee (independent director) on the overall audit status, internal control audit status and recent amendments of relevant laws and regulations of the parent company and its subsidiaries.
    4. The CPA will issue an annual statement of independence and competence, and communicate with the Audit Committee (independent director) in accordance with relevant regulations.
    5. At the end of each Board meeting or Audit Committee meeting, the Chief Auditor communicates with Audit Committee members (Independent Director) the findings of the internal audit and the follow-up after the period, and listens to the opinions and instructions of the Audit Committee members (Independent Director).

Date	Object	Issues to Communicate	Result
2022/8/10 (2022 1st time)	Audit Committee members (Independent Director) : Shou-Po Chao, Wei-Chi Huang, Hsien-Chang Kuo	<ol style="list-style-type: none"> <li>1. The implementation of the internal audit plan in 2022 second quarter. (Audit)</li> <li>2. ESG report of 2021. (Audit)</li> <li>3. Report on the implementation of the greenhouse gas inventory plan in the second quarter of 2022. (Audit)</li> <li>4. The financial report for the second quarter of 2022(Accounting)</li> </ol>	The Audit Committee (independent director) has no dissenting opinion
2022/11/3 (2022 2nd time)	Audit Committee members	<ol style="list-style-type: none"> <li>1. The implementation of the internal audit plan in 2022 third quarter. (Audit)</li> </ol>	The Audit Committee (independent

		(Independent Director) : Shou-Po Chao, Wei-Chi Huang, Hsien-Chang Kuo	<ol style="list-style-type: none"> <li>2. Report on the implementation of the greenhouse gas inventory plan in the second quarter of 2022. (Audit)</li> <li>3. The company's financial statements for the third quarter of 2022 and the financial quarterly report draft reviewed by accountants. (Accounting)</li> <li>4. The implementation of the internal audit plan in 2023. (Audit)</li> <li>5. Revise internal control system chapter 8, section 14 "internal material information processing procedures (management to prevent insider trading)" (Audit)</li> <li>6. Internal Control Statement for the year 2022. (Audit)</li> <li>7. Added "Risk Management Code of Practice" and "Continuing Operation Plan Operation Procedures" (Audit)</li> <li>8. Discussion on reclassifying the portion of prepaid expenses outstanding for more than three months as non-loan items. (Accounting)</li> </ol>	t director) has no dissenting opinion
	2022/12/22(2022 3rd time)	Audit Committee members (Independent Director) : Shou-Po Chao, Wei-Chi Huang, Hsien-Chang Kuo	<ol style="list-style-type: none"> <li>1. Added the internal control system, Chapter 8, Section 15, "Procedures for Preventing Insider Trading Management" (Audit)</li> <li>2. Formulate the general principles of the company's pre-approved non-confirmation service policy (according to the revised norms of the International Accountants Ethics Committee) (accounting)</li> <li>3. Review of the independence, competence and public expense of certified accountants</li> </ol>	The Audit Committee (independent director) has no dissenting opinion

Note 1 : If an independent director resigns before the end of the year, the date of his resignation shall be indicated in the remarks column. The actual attendance rate (%) shall be calculated based on the number of meetings of the audit committee and his actual attendance during his / her tenure.

Note 2 : Before the end of the year, if there is re-election of an independent director, the new and former independent directors shall be filled in, and the date of. former, new or re-election of the independent director shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings and actual attendance of the Audit Committee during his / her tenure.

2. Supervisors' involvements in board of directors meetings:

### Supervisors' involvements in board of directors meetings

On June 29, 2022, the company established an audit committee to replace the supervisor. Term of service for the Company's 18th board of supervisors was from June 4, 2019 to June 4, 2022. A total of 3 board of directors meetings (A) were held between January 1 and June 28, 2022; below are the attendance records:

Position	Name	No. of in-person attendance (B)	Percentage of in-person attendance (%) (B/A) (Note)	Remarks
Supervisors	Te-Lin Chen	3	60%	
Supervisors	Representative of Bowa International Leasing: Kuan-Ru Chen	0	0%	

Other mandatory disclosures:

I. Composition and duties of supervisors:

Composition of supervisors: The Company has two supervisors, who are elected in shareholder meetings from persons of adequate capacity. The supervisors serve a term of three years, and is renewable if re-elected.

Supervisors' duties: 1. Conduct timely reviews of the Company's business and financial performance, and audit books and records. 2. Review various reports that the board of directors prepares for shareholder meeting. 3. Exercise other authorities vested by law.

Supervisors' independence: Supervisors of the Company have exercised their duties in accordance with Section 5, Chapter 5 of The Company Act concerning supervisors.

(I) Supervisors' communication with employees and shareholders: Supervisors are invited to annual general meetings. Supervisors may communicate with employees, shareholders, or stakeholders directly whenever deemed necessary.

(II) Communication between supervisors and internal/external auditors: The chief internal auditor and CPAs would communicate with supervisors and independent directors after board of directors meeting.

1. The internal audit unit presents internal audit reports to supervisors and independent directors on a monthly basis.

2. Execution of internal audit plan is reported in quarterly board meetings, during which the supervisors and independent directors may raise queries

and have them explained thoroughly on-site.

3. The CPAs produce audited/auditor-reviewed reports on a quarterly/yearly basis, and would communicate with supervisors and independent directors on matters concerning the parent company's audit, the internal audit, and recent regulatory amendments.
4. The supervisors review financial statements on a regular basis, and are able to raise queries and have them explained by the head of accounting. The supervisors have so far understood and agreed to all explanations given to them.
5. At the end of each board meeting, the chief internal auditor would communicate with supervisors and independent directors on audit findings and follow-up actions taken, and gather opinions and instructions from supervisors.
6. CPAs' statements of independence and suitability and communication with independent directors have complied with relevant rules.

Date	Party communicated	Key points of communication	Outcome of communication
March 3, 2022	Independent Directors/Supervisors Attending independent directors: Shou-Po Chao, Wei-Chi Huang Attending supervisor: Lin-Te Chen	<ol style="list-style-type: none"> <li>1. Execution of internal audit plan for the fourth quarter of 2022. (Internal audit)</li> <li>2. Regular assessment of financial statement auditors' independence. (Accounting)</li> <li>3. Outcome of the 2022 board performance assessment. (Internal audit)</li> <li>4. 2022 Declaration of Internal Control System. (Internal audit)</li> <li>5. Promotion of insider trading and prevention awareness and Code of Conduct for Business Ethics and Moral Behavior and Compliance with Laws and Regulations for 2022. (Internal audit)</li> <li>6. 2022 risk report of the Company. (Internal audit)</li> <li>7. 2021 business report and financial statements of the Company. (Accounting)</li> <li>8. Amendment of policies concerning supervisors to accommodate the establishment of Audit Committee</li> <li>9. Establishment of "Audit Committee Charter"</li> <li>10. The 2022 deficit compensation proposal. (Accounting)</li> <li>11. Amendments to the Company's "Articles of Incorporation"</li> </ol>	No opinions from independent directors and supervisors



			(accounting)	
March 29, 2022	Independent Directors/Supervisors Attending independent directors: Wei-Chi Huang Attending supervisor: Lin-Te Chen	1. Change of financial statement auditors following operational and personnel adjustments within the accounting firm (accounting) 2. Amendments to the Company's "Articles of Incorporation" (accounting) 3. Purchase of liability insurance for directors, supervisors, and managers of the Company for 2022. (Internal audit)		No opinions from independent directors and supervisors
May 5, 2022	Independent Directors/Supervisors Attending independent director: Shou-Po Chao Attending supervisor: Lin-Te Chen	1. Execution of internal audit plan for the first quarter of 2022. (Internal audit) 2. Outcomes of the Company's 2021 corporate governance evaluation. (Internal audit) 3. 2022 Q1 closing accounts of the Company, (Accounting) 4. Greenhouse Gas Inventory and Verification Schedule Planning of the company. (Internal audit)		No opinions from independent directors and supervisors

2. Opinions expressed by supervisors in board meetings; state the date and session of the meeting held, the discussed motion, the board's resolution, and how the Company had responded to supervisors' opinions: The board of directors held a total of 3 meetings between January 1 and June 28, 2022; none of the attending supervisors expressed any opinions. Company's response to supervisor's opinions: Not applicable.

Note:

\*The date of resignation is specified for supervisors who had resigned prior to the close of the financial year. The percentage of in-person attendance (%) is calculated based on the number of board of directors meetings held and the number of in-person attendance during active duty.

\*If a re-election of supervisors had taken place prior to the close of the financial year, supervisors of both the previous and the current term are listed; in which case, the remarks column would specify the re-election date and whether the supervisor was elected in the previous term, the new term, or both. Required attendance rate (%) was calculated based on the number of meetings required to attend during active duty.

(3) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	v		<p>The Company passed a set of “Corporate Governance Code of Conduct” on December 7, 2015 and disclosed details on its website.</p> <p>The Company has amended its “Corporate Governance Code of Conduct” based on the newly revised Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and sought board of directors’ approval on March 4, 2021. The details of which have been disclosed on the corporate website.</p>	Complied with Articles 1 and 2 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. Slight amendments were made to conform with actual practices.
2. Shareholding structure and shareholders’ interests				
(1) Has the Company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes, and litigations?	V		<p>1. The GM’s Office has dedicated personnel including the spokesperson and acting spokesperson available to handle shareholders’ suggestions, queries, and disputes. Phone number, address, and email of various contact channels have been disclosed on the corporate website, the corporate responsibilities report, and the annual report.</p> <p>Internal procedures for handling shareholders’ suggestions, queries, disputes, and litigations have been addressed in Articles 4 to 13, Chapter 2 - “Protection of shareholders’ interests” in the “Corporate Governance Code of Conduct.” The spokesperson or acting spokesperson will respond to all of the above matters either verbally or in writing.</p>	Complied with Article 13 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		<p>2. The Company engages a professional stock transfer agent to handle shareholder service, and is constantly informed of any change or pledge of shareholding by directors, supervisors, managers, or shareholders with more than 5% ownership interest. The Company inputs its list of directors, supervisors, managers, and shareholders with more than 10% ownership interest into the website designated by the authority on a monthly basis. This information has also been made available on the annual report and corporate website.</p>	Complied with Article 19 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		<p>3. The Company and affiliated enterprises operate as separate entities and manage asset-related, financial, and accounting affairs independently from each other. Each entity manages its own profitability and risks.</p> <p>Financial dealings between the Company and affiliated enterprises accrue interests at the market rate. The amount and necessity of financing arrangements are re-evaluated each year based on capital requirements. The Company also has systems in place to evaluate endorsements and guarantees to external parties.</p> <p>Transaction, endorsement, guarantee, and lending with related parties are controlled according to the rules outlined in the Securities and Exchange Act. "Subsidiary supervision and management" policies have been implemented to facilitate risk management over subsidiaries. For details, please see Articles 14 to 19 in Section 3 - "Governance of dealings with affiliated enterprises," Chapter 2 of the "Corporate Governance Code of Conduct."</p>	Complied with Articles 4 to 19 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		<p>4. The Company has "Material Insider Information Handling Procedures" in place to regulate and prohibit insiders from trading securities against non-public information.</p> <p>Progress of the 2021 insider trading and prevention awareness campaign was reported during the board of directors meeting held on March 2, 2022.</p> <p>When presenting the annual or quarterly financial report to the board of directors for discussion or reporting, it is emphasized to the directors that "directors and insiders are prohibited from trading their stocks during the 30-day closed period before the announcement of the annual financial report, and the 15-day closed period before the announcement of the quarterly financial report."</p>	Complied with Paragraph 2, Article 10 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
3. Composition and responsibilities of the board of	V		1. Article 20 of the Company's Corporate Governance Code of	Complied with Article

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>directors</p> <p>(1) Does the board of directors have a diversity policy and management goals that are duly enforced?</p>			<p>Conduct requires board members to be diversified. A “Board Diversity Policy” has been created with diversity goals set to support implementation. Accomplishment of diversity goals is evaluated by the corporate governance promotion team on a yearly basis. To improve the diversity of directors’ knowledge and skills, the Company would recommend or enroll relevant courses for directors when planning their 6-hour ongoing education each year. All course fees are covered by the Company. The Company elected two independent directors and two female directors during the 2022 shareholder meeting. The current board as a whole offers diverse professional background and extensive experience in terms of business administration, leadership, decision making, industry knowledge, global perspective, accounting, and financial analysis. Directors’ education, career background, gender, professional qualification, and work experience are explained in details in section - “Board Diversity Policy” of this annual report.</p>	<p>20 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</p>
<p>(2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p>	V		<p>2. The Company assembled its first Remuneration Committee with board of directors’ resolution sought during the meeting held on December 27, 2011. Members for the 5th Remuneration Committee, including Independent Director Shou-Po Chao, Independent Director Wei-Chi Huang, and Mr. Chung-Lung Chen, were elected during the board of directors meeting held on August 3, 2022. The Company were elected three independent directors and assemble an Audit Committee at the annual general meeting on June 29, 2022.. The Company has no plan to assemble other functional committees at the moment, but will evaluate the need to do so depending on changes in future regulations and corporate governance practices. The keeping of related records has complied with Articles 27 to 30 in Section 3 - Functional committees, Chapter 3 of Corporate</p>	<p>Complied with Articles 28 and 28-1 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</p>

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(3) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration, and nomination decisions?</p> <p>(4) Are external auditors' independence assessed on a regular basis?</p>	V		<p>Governance Best-Practice Principles for TWSE/TPEX Listed Companies.</p> <p>3. The Company has implemented a board performance assessment policy. "Board performance self-assessment," "Board member self-assessment," and "Functional committee performance self-assessment" are conducted once a year by members of the board. Self-assessment reports are expected to be presented in the next board meeting (the fifth meeting of the 19th board scheduled to be held on March 2, 2023). "Board performance assessment" and "Board meeting organizer self-assessment" averaged a score of 4.8; overall performance was close to Exceptional. "Board member self assessments" averaged a score of 4.7; overall performance was close to Exceptional. "Functional Committee Performance Self-assessment" (Remuneration Committee) averaged a score of 4.9; overall performance was close to Exceptional. (Out of a total of 5)</p> <p>The board of directors has taken the evaluation outcome into consideration when determining directors' compensations and when nominating director candidates.</p> <p>4. The board meeting organizer evaluates financial statement auditors' independence once a year and presents outcomes for discussion among the board of directors. Independence assessment of financial statement auditors for 2022 was discussed and passed during the fourth meeting of the 19th board held on December 22, 2022. The financial statement auditors hold no stake in the Company and are not related to key personnel of the Company. They are able to provide services in a professional, fair, and objective manner and are deemed to have met the independence and suitability</p>	<p>Complied with Paragraphs 3 and 4, Article 37 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</p> <p>Complied with Article 29 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</p>

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																		
	Yes	No	Summary																			
			requirements.																			
			<table border="1"> <thead> <tr> <th>Assess criteria</th> <th>Assessment outcome</th> <th>Whether compliant with the independence criteria</th> </tr> </thead> <tbody> <tr> <td>1. Whether the CPAs have direct or material indirect financial interest with the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Are the CPAs involved in any financing or guarantee arrangement with the Company or its directors</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Whether CPAs have extensive commercial relationship and potential employment relationship with the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Whether the CPAs and audit team members currently or previously assumed role as the Company's director, manager, or any position that may significantly affect the audit in the last two years</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>5. Whether the CPAs provide any non-audit service to the Company</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assess criteria	Assessment outcome	Whether compliant with the independence criteria	1. Whether the CPAs have direct or material indirect financial interest with the Company.	No	Yes	2. Are the CPAs involved in any financing or guarantee arrangement with the Company or its directors	No	Yes	3. Whether CPAs have extensive commercial relationship and potential employment relationship with the Company.	No	Yes	4. Whether the CPAs and audit team members currently or previously assumed role as the Company's director, manager, or any position that may significantly affect the audit in the last two years	No	Yes	5. Whether the CPAs provide any non-audit service to the Company	No	Yes	
Assess criteria	Assessment outcome	Whether compliant with the independence criteria																				
1. Whether the CPAs have direct or material indirect financial interest with the Company.	No	Yes																				
2. Are the CPAs involved in any financing or guarantee arrangement with the Company or its directors	No	Yes																				
3. Whether CPAs have extensive commercial relationship and potential employment relationship with the Company.	No	Yes																				
4. Whether the CPAs and audit team members currently or previously assumed role as the Company's director, manager, or any position that may significantly affect the audit in the last two years	No	Yes																				
5. Whether the CPAs provide any non-audit service to the Company	No	Yes																				

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary													
			<table border="1"> <tr> <td>that may directly affect the outcome of the audit task.</td> <td></td> <td></td> </tr> <tr> <td>6. Whether the CPAs serve as any form of intermediary to the shares or securities issued by the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>7. Whether the CPAs serve as defense attorney for the Company, or represent the Company in mediating any conflict with a third party.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>8. Whether the CPAs are related to the Company's directors, managers or any person that is significant to the audit task</td> <td>No</td> <td>Yes</td> </tr> </table> <p>On April 13, 112, the Company passed the evaluation of the Audit Quality Indicators (AQIs) by the Audit Committee and the Board of Directors, and confirmed the independence and suitability of the signing certified public accountant.</p>	that may directly affect the outcome of the audit task.			6. Whether the CPAs serve as any form of intermediary to the shares or securities issued by the Company.	No	Yes	7. Whether the CPAs serve as defense attorney for the Company, or represent the Company in mediating any conflict with a third party.	No	Yes	8. Whether the CPAs are related to the Company's directors, managers or any person that is significant to the audit task	No	Yes	
that may directly affect the outcome of the audit task.																
6. Whether the CPAs serve as any form of intermediary to the shares or securities issued by the Company.	No	Yes														
7. Whether the CPAs serve as defense attorney for the Company, or represent the Company in mediating any conflict with a third party.	No	Yes														
8. Whether the CPAs are related to the Company's directors, managers or any person that is significant to the audit task	No	Yes														
4. Where the Company is a TWSE/TPEX listed company, has the Company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company	V		The GM's Office has dedicated personnel available to gather, consolidate, and handle corporate governance affairs. The GM's Office is also responsible for organizing shareholder meetings, board meetings, and Remuneration Committee meetings including but not limited to: providing directors and Remuneration Committee members with the information needed to perform duties, issuance of board/committee/shareholder meeting advices, consolidation of meeting information, and preparation and distribution of minutes.	Complied with Article 3-1 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
registration and changes, preparation of board meeting and shareholder meeting minutes etc)?			<p>Company registration and change of registration are collectively handled by the Finance Department.</p> <p>Disclosures relating to internal audit, financial data, material information, and corporate governance are made over the corporate website by the unit responsible. Shareholder services such as change of holding position, ownership transfer etc. are handled by the Share Administration Department of Grand Fortune Securities Co., Ltd.</p> <p>During the 10th meeting of the 18th board, a resolution was passed to appoint Yu-Min Lai, Vice President of Finance of the parent company, as the Company's corporate governance officer.</p> <p>Routine corporate governance tasks completed in 2021:</p> <ul style="list-style-type: none"> <li>① Handling of board meeting and Remuneration Committee meeting affairs and preparation of minutes: A total of 7 meetings (5 board meetings and 2 Remuneration Committee meetings) were convened.</li> <li>② Handling of shareholder meeting affairs and preparation of minutes: Once.</li> <li>③ Assistance with directors' education: 9 subjects, 54 hours total. Supervisors' education: 2 subjects, 18 hours total.</li> <li>④ Provided directors with the information needed to perform duties, including preparation of meeting materials 7 days before a board meeting or Remuneration Committee meeting.</li> <li>⑤ Helped directors comply with various regulations when performing duties or forming resolutions.</li> <li>⑥ Arrangements were made to have the corporate governance officer undergo at least 18 hours of training within one year from the duty commencement date, and at least 12 hours of training each year.</li> </ul>	
5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate	V		The GM's Office has dedicated personnel (the spokesperson) available to handle responses from stakeholders such as investors, shareholders, banks, employees, customers, and suppliers, and to	Complied with Article 47 of Corporate Governance Best-



Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?			<p>serve as open communication channels. Stakeholder, Governance, and CSR sections have been created on the corporate website, whereas the name, contact number, and email of the contact person (the spokesperson) have also been disclosed on the website. All issues reflected are replied personally by the contact person (the spokesperson).</p> <p>The Company also responds to issues that are of concern to stakeholders using the following channels:</p> <ol style="list-style-type: none"> <li>1. Shareholders: Shareholder meetings are held on a yearly basis, and shareholders are given the option to exercise voting rights through electronic means. The Company publishes annual reports and CSR reports on a yearly basis and makes monthly disclosures of revenue performance as well as quarterly announcements of unaudited financial information to keep shareholders up-to-date on the Company's operations.</li> <li>2. Employees: Issues concerning employee benefit, occupational safety and health, gender equality, prevention of sexual harassment, and labor-management relations are communicated through various methods such as meetings at each plant, emails, document sharing, and bulletin boards.</li> <li>3. Suppliers: The Company upholds business integrity and is committed to ensuring the continuity of its growth. The Company observes fair trading principles and requires all business partners to devote attention to environmental protection, work safety, and protection of workers' interests. Annual supplier evaluations and regular supplier visits are organized to enhance communication between two parties.</li> <li>4. Customers: The Company addresses customers' demand for quality and after-sale service by paying visits, participating in exhibitions, and conducting and analyzing satisfaction surveys. Customer-exclusive contact channels including the use of telephone and email have been made available on the</li> </ol>	Practice Principles for TWSE/TPEX Listed Companies

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>corporate website. These channels are used for gathering opinions from customers.</p> <p>5. Other stakeholders and the general public: The Company prepares annual CSR reports and publishes them over the corporate website, where stakeholders and the general public may download at their own convenience.</p>	
6. Does the Company engage a stock transfer agent to handle shareholder meeting affairs?	V		The Company commissions the Share Administration Department of Grand Fortune Securities Co., Ltd. to handle shareholder meeting affairs.	Complied with Paragraph 1, Article 7 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
7. Information disclosure	V		1. The Company has created its own website ( <a href="http://www.hungchou.com.tw">www.hungchou.com.tw</a> ) to disclose financial, business, and corporate governance information. The above information is also published over the website designated by the authority (i.e. Market Observation Post System).	Complied with Paragraph 1, Article 57 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(1) Has the Company established a website that discloses financial, business, and corporate governance-related information?	V		2. The GM's Office and Finance Department both have dedicated personnel available to gather and disclose information relating to the Company. This information is uniformly released to the public through the spokesperson. Investors are able to participate in the seminars organized by Grand Fortune Securities Co., Ltd. (most recently held on December 13, 2022). All briefing materials and a video recording of the entire proceeding are made available over the corporate website after each session, which investors may view at their own convenience.	Complied with Articles 55 to 58 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(2) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)?	V		3. The Company makes official reports to the authority in	

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?			compliance with Article 36 of the Securities and Exchange Act. Financial statements are published/filed within 3 months after the end of a financial year, or within 45 days after the end of Q1, Q2, and Q3. Furthermore, business performance of the previous month is published/filed within the first 10 days of the current month.	The Company is required to prepare financial statements that consolidate subsidiaries, and is currently unable to publish/file financial statements at an earlier time.
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	V		<p>On the Corporate Governance section of the Market Observation Post System (<a href="http://mops.twse.com.tw/">http://mops.twse.com.tw/</a>), users may input stock code 1413 to learn details about the Company's corporate governance practices. Alternatively, investors may inquire corporate governance information through the spokesperson. Below is a list of supplementary information that is useful to understanding corporate governance:</p> <ol style="list-style-type: none"> <li>1. Employees' interests: The Company has always valued the harmony of employment relations, and has set up physical opinion boxes and grievance hotlines in factories as well as dedicated email address over the Intranet as an encouragement for employees to speak their minds. Dedicated personnel have been assigned to investigate and respond to the matters collected through opinion box and hotlines, thereby ensuring open communication with the employees. Furthermore, the Company convenes quarterly labor-management meetings where key management personnel are present to communicate with worker representatives for the harmony of employment relations and continuity of business growth.</li> <li>2. Investor relations: Queries and suggestions from shareholders, potential investors, stakeholders, and the general public are collectively addressed and explained by the spokesperson (or</li> </ol>	Complied with Article 28-2 and Articles 51 to 54 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>acting spokesperson). An “Investors” section has been created on the corporate website to provide investors with relevant information and to maintain relationships with investors.</p> <p>3. Supplier relations: The Company chooses suppliers based primarily on their ability to deliver goods of adequate quality and quantity in time and at competitive prices. As a response to stakeholders’ expectations regarding corporate social responsibilities, the Company also requires suppliers to pay extra attention on issues such as occupational safety, work environment, supply chain management, and hardware/equipment safety. In addition to annual supplier evaluation, the Company organizes training courses on business integrity principle and contractor work safety to communicate on related issues.</p> <p>4. Stakeholders’ interests: The means by which the Company responds to stakeholders’ interests include:  Nearby communities: The Company sponsors community events and subsidizes local activities in the forms of budget, gift, and supplies.  Non-government and private organizations: The Company interacts with private organizations from time to time as a way to maintain public image and to share the burden of sustainability.  Peers: As a member of the industry association, the Company exchanges industry information with peers.  Government institutions: The Company complies with regulations and fulfills its duties as a corporate citizen by supporting the government’s policies and initiatives.</p> <p>5. Purchase of liability insurance for directors and supervisors: The Company has arranged liability insurance for directors, supervisors, and key staff with Tokio Marine Newa Insurance Co., Ltd. The total sum assured is set at US\$3 million and the</p>	Complied with Articles 40 and 50 of “Corporate

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																												
	Yes	No	Summary																													
			<p>duration of coverage begins April 1, 2022 and ends April 1, 2023. Upon expiry, the policy will be renewed with Tokio Marine Newa Insurance Co., Ltd. and the renewed period of coverage will begin April 1, 2023 and end April 1, 2024. The purpose of the liability insurance is to reduce legal risk and financial burden for directors, and to protect them from losses that may arise as a result of the services rendered. (Reported during the board of directors meeting held on March 29, 2022)</p> <p>6. Directors' ongoing education: (complied with Articles 40 and 50 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies) Directors take part in all of the courses organized by Securities &amp; Futures Institute</p> <table border="1"> <thead> <tr> <th>Position</th> <th>Name</th> <th>Date of training</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Cheng-Tien Chan</td> <td>August 31, 2022</td> <td>3.0</td> </tr> <tr> <td>October 7, 2022</td> <td>3.0</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Heng-Chia Chang</td> <td>July 26, 2022</td> <td>3.0</td> </tr> <tr> <td>August 19, 2022</td> <td>3.0</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Yi-Ching Chan</td> <td>August 30, 2022</td> <td>3.0</td> </tr> <tr> <td>September 30, 2022</td> <td>3.0</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Yu-Ching Cheng</td> <td>October 7, 2022</td> <td>3.0</td> </tr> <tr> <td>October 25,</td> <td>3.0</td> </tr> </tbody> </table>	Position	Name	Date of training	Training hours	Chairman	Cheng-Tien Chan	August 31, 2022	3.0	October 7, 2022	3.0	Director	Heng-Chia Chang	July 26, 2022	3.0	August 19, 2022	3.0	Director	Yi-Ching Chan	August 30, 2022	3.0	September 30, 2022	3.0	Director	Yu-Ching Cheng	October 7, 2022	3.0	October 25,	3.0	<p>Governance Best-Practice Principles for TWSE/TPEX Listed Companies"</p> <p>Complied with Articles 39 and 49 of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"</p>
Position	Name	Date of training	Training hours																													
Chairman	Cheng-Tien Chan	August 31, 2022	3.0																													
		October 7, 2022	3.0																													
Director	Heng-Chia Chang	July 26, 2022	3.0																													
		August 19, 2022	3.0																													
Director	Yi-Ching Chan	August 30, 2022	3.0																													
		September 30, 2022	3.0																													
Director	Yu-Ching Cheng	October 7, 2022	3.0																													
		October 25,	3.0																													

Assess criteria	Actual governance (Note 1)				Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary			
				2022		
			Director	G.L. Lin	August 19, 2022	3.0
					November 4, 2022	3.0
			Director	Tse-Hua Lin	August 30, 2022	3.0
					November 4, 2022	3.0
			Independent director	Shou-Po Chao	February 24, 2022	3.0
					February 25, 2022	3.0
			Independent director	Wei-Chi Huang	March 11, 2022	3.0
					March 10, 2022	3.0
			Independent director	Hsien-Chang Kuo	August 11, 2022	3.0
					October 25, 2022	3.0
			Director	Lin-Te Chen	September 22, 2022	3.0
					October 11, 2022	3.0
			Director	Kuan-Ru	July 14, 2022	3.0

Assess criteria	Actual governance (Note 1)				Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary			
				Chen December 16, 2022	3.0	
			7. The Company presents risk reports (including the identification of non-financial ESG material topics) in board of directors meetings once a year (the 2022 report was presented on March 3, 2022).			
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified.	V		1. The Company scored 52.14 and ranked in the 66%-80% tier of TWSE's 8th (2021) Corporate Governance Evaluation. 2. Improvements to areas that failed to score in the current evaluation: (1) Enhancements have been made to the disclosure of corporate governance information to score in the following area: 1.7、1.8、2.10、2.13、2.19、2.20、2.22、3.10、3.13、3.15、3.17、3.19、3.21、4.1、4.2、4.6、4.9、4.10、4.17 (2) Improvements to be made during re-election in the next board meeting: 1.17 (3) Improvements of low urgency: 1.6、1.9、1.10、1.11、2.4、2.7、2.14、2.23、2.27、3.2、3.4、3.5、3.6、3.8、3.14、3.18、3.20、4.5、4.8			Complied with Article 59 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Note: Always provide explanation in the summary description column, regardless of whether there are any deviations from the best practice principles.

(4) Disclose the composition, responsibilities, and functionality of the remuneration committee, if available:

1. Information of Remuneration Committee members

December 31, 2022

Role (Note 1)	Criteria	Professional qualification and experience (Note 2)	Independence criteria (Note 3)	Number of concurrent positions as Remuneration Committee member in other public companies
	Name			
Independent director (Convener)	Shou-Po Chao	Graduated from University of Illinois Former Chairperson of the Council of Labor, Executive Yuan Adjunct Professor of National Changhua University of Education Department of Industrial Education and Technology	Does not exhibit any of the conditions listed in (Note 3)	0
Independent director	Wei-Chi Huang	Graduated from University General Secretary of Taiwan Textile Federation	Does not exhibit any of the conditions listed in (Note 3)	0
	Chung-Lung Chen	Graduated with Master's Degree General Secretary of Taiwan Chamber of Commerce & Industry Vice Chairman of Career Consulting Co., Ltd.	Does not exhibit any of the conditions listed in (Note 3)	0

Note 1: Years of work experience, professional qualification, and independence of each Remuneration Committee member are explained in the chart. For members who are also independent directors, references have been made to Attachment 1 - Background information of directors and supervisors (1) on page \_\_. In the Role field, each member is specified either as independent director or other (with additional remark for the role of convener).

Note 2: **Professional qualification and experience:** Professional qualification and experience for each member of the Remuneration Committee is explained.

Note 3: **Compliance of independence:** Independence of Remuneration Committee members is evaluated using several criteria including but not limited to: whether they or their spouse or 2nd-degree relatives or closer serve as director, supervisor, or employee in the Company or any of its related businesses; the number and percentage of Company shares held in their own names or names of spouse, 2nd-



degree relative or closer (or proxy shareholder); whether they serve as director, supervisor, or employee in any entity that has certain relationship with the Company (refer to Subparagraphs 5-8, Paragraph 1, Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of compensation received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its related businesses.

Note 4: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

## 2. Functionality of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members
- (2) Duration of service of the current committee: from June 4, 2019 to June 3, 2022.  
The Remuneration Committee held 2 meetings (A) in 2022; details of members' eligibility and attendance are as follows:

Position	Name	No. of in-person attendance (B)	No. of proxy attendance	In-person attendance rate (%) (B/A) (Note)	Remarks
Convener	Shou-Po Chao	2	0	100	Renewed on August 3, 2022
Committee member	Wei-Chi Huang	2	0	100	Renewed on August 3, 2022
Committee member	Chung-Lung Chen	2	0	100	Renewed on August 3, 2022

### Other mandatory disclosures:

1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, an explanation shall be made on the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (including differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None
2. Should any committee member object or express reservations to the resolution made by the Remuneration Committee, whether on-record or in writing, please state the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None

Note: \*Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of in-person attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings attended in-person during active duty.

\*If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee are listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. In-person attendance rate (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings attended in-person during active duty.

## Remuneration Committee

<p>Composition</p>	<p>The Company has assembled a Remuneration Committee with board of directors' approval. The Remuneration Committee has a total of three members; all of whom are professionally qualified and possess extensive work experience. The committee members serve identical terms as do members of the board. The Company re-elected its directors during the shareholder meeting held on June 29, 2022. The new board members passed a resolution on August 3, 2022 to appoint Independent Director Shou-Po Chao, Independent Director Wei-Chi Huang, and Mr. Chung-Lung Chen as members of the Remuneration Committee (with Independent Director Shou-Po Chao serving as the convener). All members of the committee have met the eligibility requirements stated in the Securities and Exchange Act and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."</p>
<p>Responsibilities</p>	<ol style="list-style-type: none"> <li>1. The Remuneration Committee performs its duties in accordance with the Company's Remuneration Committee Charter.</li> <li>2. Establishment and regular review of directors', supervisors', and managers' compensation policies, systems, standards and structures, and performance evaluation.</li> <li>3. Regularly review and adjust directors', supervisors', and managers' compensation.</li> <li>4. The Remuneration Committee makes regular suggestions and proposals to the board of directors on various issues resolved.</li> </ol>
<p>Progress</p>	<ol style="list-style-type: none"> <li>1. The Remuneration Committee held 2 meetings in 2022.</li> <li>2. The 6th meeting of the 4th Remuneration Committee was held on March 3, 2022 (attending members: Shou-Po Chao, Wei-Chi Huang, Chung-Lung Chen).  Discussion on "allocation of employee remuneration and director/supervisor remuneration for 2021."  Resolution: The Company still had cumulative losses pending reimbursement in 2021, therefore a proposal was raised to withhold remuneration for employees, directors, and supervisors. The motion was passed as proposed without objection from attending members when inquired by the chair.</li> <li>3. The first meeting of the 5th Remuneration Committee was held on November 3, 2022 (attending members: Shou-Po Chao, Wei-Chi Huang, Chung-Lung Chen)  Discussion on "directors', supervisors', and managers' compensation."  Resolution: The proposal was deemed fair and reasonable, and was passed as proposed without objection from attending members when inquired by the chair. To be presented to the board of directors for reference.</li> </ol>

**(5) Sustainable development practices; deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:**

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company implemented a governance framework that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the board of directors and run by senior management, and how does the board supervise progress?	V		<p>1. The Company's sustainable development framework is primarily spearheaded by the "Corporate Governance (Corporate Social Responsibility) Promotion Team" that operates directly under the Chairman. The role of corporate governance officer is currently undertaken by Yu-Min Lai, Vice President of Finance of the parent company.</p> <p>2. Execution of the "Corporate Governance (Corporate Social Responsibility) Promotion Team":</p> <p>(1) The "Corporate Governance (Corporate Social Responsibility) Promotion Team" executes sustainable development tasks within the Company. On July 13, 2021, the board of directors passed the decision to appoint Yu-Min Lai, the head of accounting of the parent company, as the Company's corporate governance officer.</p>	Complied with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(2) The “Corporate Governance (Corporate Social Responsibility) Promotion Team” comprises level 1 managers, whose main responsibilities are to execute corporate governance tasks, evaluate and select suitable donees, gather relevant information, and prepare CSR reports.</p> <p>(3) The “Corporate Governance (Corporate Social Responsibility) Promotion Team” prepares yearly CSR reports to disclose the Company’s sustainable development progress in the previous year, and presents them to the board of directors. The 2021 “ESG Report” was presented to the board of directors on August 3, 2022.</p> <p>3. The board of directors would discuss with the corporate governance officer about adjustments to the Company’s management approach, strategies, and goals based on the “CSR Report” prepared by the “Corporate Governance (Corporate Social Responsibility) Promotion Team.”</p>	

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
2. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? (Note 2)	V		<p>1. The Company has implemented a “risk management policy.” Each year, factory managers and the management of subsidiaries would join and evaluate the probability and impact of environmental, social, and governance issues (including natural disaster, the economic environment, employees’ conducts, business, legal affairs, management actions and control, and infrastructure) that are relevant to the Company based on principles of materiality, and determine the type of risk management policy or strategy to adopt in response. The Company presents risk reports to the board of directors once a year; the 2022 risk report was presented during the board of directors meeting held on March 3, 2022.</p> <p>2. When evaluating risks, factory managers and the management of subsidiaries would pay particular attention to non-financial ESG information and use them to identify environmental, social, and governance issues that are material to the Company. These issues, along with the risk report, are presented to the board of directors each years. (Please see the Governance section on the Company’s website.)</p> <p>3 The company's 19th Board of Directors meeting (dated 3rd November 2022) has passed the "Guidelines for Risk Management Practices" and "Operational Procedures for Business Continuity Plans."</p>	Complied with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>3. Environmental issues</p> <p>(1) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(2) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p>	V		<p>1.1 The Company observes the Greenhouse Gas Reduction and Management Act, the Energy Administration Act, and the Renewable Energy Development Act and examines the efficiency of various forms of energy on a monthly basis. The Company not only ensures compliance with domestic environmental safety and health regulations, but also strives to connect globally with the introduction of an environmental management system, which has been certified for ISO9001 and 14001 (quality and environmental management) standards.</p> <p>2.1 The Company first obtained Global Recycle Standard (GRS) certification for polyester filaments in May 2017 and has maintained certification to date. GRS is a global and voluntary standard designed for complete products; it regulates the chain of custody that supply chain partners are required to maintain with respect to product recycling and component reuse, as well as the social responsibilities, environmental rules, and chemical restrictions they must observe. Certification of GRS is validated by a third-party institution. In 2021, the Company made significant efforts to construct natural gas pipelines into the Company's factory and modified boilers to run on natural gas instead of heavy oil. Both measures were intended to increase fuel efficiency</p>	Complied with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(3) Is the Company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?</p> <p>(4) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?</p>	V		<p>and reduce impact on the environment.</p> <p>3.1 The company adheres to the "Corporate Governance 3.0 - Sustainable Development Blueprint" published by the Financial Supervisory Commission and refers to the "Task Force on Climate-related Financial Disclosures" (TCFD) standards and framework published by the Financial Stability Board (FSB) to take stock of the risks, opportunities, and response measures brought about by climate change to our company. We also quantitatively evaluate the impact of major climate risks on our company and take relevant response measures. For more information, please refer to page 73 of this year's annual report on "Climate-related information for listed and OTC companies."</p> <p>4.1 Our company's main products are polyester filament and polyester pellets. We manage greenhouse gas emissions, water usage, and waste based on the location of our facility at No. 29, Hongzhou Street, Guishan District, Taoyuan City..</p> <p>1. Greenhouse Gas: Our company conducts a greenhouse gas inventory in accordance with the ISO-14064 standard. The inventory includes gases such as carbon dioxide, methane, nitrous oxide,</p>	



Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																
	Yes	No	Summary																	
			<p>hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride, and is expressed in terms of carbon dioxide equivalent (CO2e). Emissions sources are classified as direct emissions (Category 1, i.e., emissions directly from sources owned or controlled by the company), energy indirect emissions (Category 2, i.e., indirect greenhouse gas emissions from the consumption of purchased electricity, heat, or steam), and other indirect emissions (Category 3, i.e., emissions from sources not owned or controlled by the company but associated with its activities). For more information, please refer to page 73 of this year's annual report on "Climate-related information for listed and OTC companies."</p> <p>2. Water usage analysis</p> <table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Public water supply 1000M3</td> <td></td> <td>170.450</td> <td></td> </tr> <tr> <td>Surface Water - Rainwater Collection1000M3</td> <td></td> <td>221.660</td> <td></td> </tr> <tr> <td></td> <td></td> <td>392.11</td> <td>350.918</td> </tr> </tbody> </table> <p>3. waste</p>		2020	2021	2022	Public water supply 1000M3		170.450		Surface Water - Rainwater Collection1000M3		221.660				392.11	350.918	
	2020	2021	2022																	
Public water supply 1000M3		170.450																		
Surface Water - Rainwater Collection1000M3		221.660																		
		392.11	350.918																	

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																																				
	Yes	No	Summary																																					
	V		<table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Hongzhou</td> <td></td> <td>59.20</td> <td></td> </tr> <tr> <td>Non-hazardous</td> <td></td> <td>137.95</td> <td></td> </tr> <tr> <td></td> <td></td> <td>197.15</td> <td>201.17</td> </tr> </tbody> </table> <p>Non-hazardous waste is classified as general household waste. Hazardous waste at Hongzhou includes toxic waste liquids, textile sludge, waste engine oil, waste coal, and waste wooden pallets.</p> <p><b>4.Wastewater discharge</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water discharged (tonnes)</th> <th>Water recycled (tonnes)</th> <th>Average COD concentration in effluents (mg/l) COD discharge standards (100mg/l)</th> <th>Average SS concentration in effluents (mg/l) SS discharge standards (30mg/l)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>380,617</td> <td>0</td> <td>32.5</td> <td>4.45</td> </tr> <tr> <td>2021</td> <td>365,323</td> <td>0</td> <td>56.1</td> <td>7</td> </tr> <tr> <td>2022</td> <td>325,167</td> <td>0</td> <td>51.5</td> <td>3.85</td> </tr> </tbody> </table> <p>4.2 The company's greenhouse gas reduction policy is based on the year 2023, with a target to reduce greenhouse gas emissions by 30% by 2030 and reach net zero emissions by 2050.</p> <p>1. Continue enforcement of greenhouse gas survey, and keep departments informed on the progress of energy and carbon reduction efforts.</p>		2020	2021	2022	Hongzhou		59.20		Non-hazardous		137.95				197.15	201.17	Year	Water discharged (tonnes)	Water recycled (tonnes)	Average COD concentration in effluents (mg/l) COD discharge standards (100mg/l)	Average SS concentration in effluents (mg/l) SS discharge standards (30mg/l)	2020	380,617	0	32.5	4.45	2021	365,323	0	56.1	7	2022	325,167	0	51.5	3.85	
	2020	2021	2022																																					
Hongzhou		59.20																																						
Non-hazardous		137.95																																						
		197.15	201.17																																					
Year	Water discharged (tonnes)	Water recycled (tonnes)	Average COD concentration in effluents (mg/l) COD discharge standards (100mg/l)	Average SS concentration in effluents (mg/l) SS discharge standards (30mg/l)																																				
2020	380,617	0	32.5	4.45																																				
2021	365,323	0	56.1	7																																				
2022	325,167	0	51.5	3.85																																				

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>2. Continue discussing with equipment suppliers on the possibility of introducing energy-efficient equipment, and conduct yield assessments.</p> <p>3. Continue promoting energy and carbon reduction awareness to all employees and enforce energy conservation measures.</p> <p>4. Take initiative in working with green energy (solar power) equipment suppliers to acquire carbon credits for the use of green energy.</p> <p>5. Observe environmental protection laws, customers' requirements, and relevant rules.</p> <p>4.3 The water conservation and waste reduction targets of the Hongzhou factory (No. 29, Hongzhou Street, Guishan District, Taoyuan City) are 5%. The water conservation measures mainly include increasing rainwater storage facilities, recycling treated wastewater for cleaning purposes, adjusting water valve flow rates, and installing faucet aerators. Waste management includes "sorting and recycling - paper, plastic bottles, metal cans", "waste reduction - reusing single-sided blank paper for second-time copying", and "reuse - sorting and reusing customer packaging materials".</p>	

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			4.4 The company considers its environmental impact comprehensively and chooses external organizations for verification. As of the printing date of the annual report, the following verifications are still valid: ISO 14001:2015 Environmental Management System Certification, GRS Global Recycled Standard Certification, Oeko-Tex Standard 100 Ecological Textile Product Standard 100 Certification. In addition, the ISO-14064 organization-based greenhouse gas verification (greenhouse gas emissions for the year 2022) has been commissioned to China Productivity Center for verification.	
4. Social issues (1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		1.1 The Company implements and amends personnel management policies to conform with the government's latest labor regulations and rules. The Company not only provides employees with stable salary in addition to proper meal, accommodation, and training, but is also dedicated to creating a safe and healthy work environment where employees are protected and have the opportunity to develop professional skills over their careers. 1.2 The Company hires appropriate number of foreign workers in a manner that is legal and compliant with	Complied with Corporate Social Responsibility Code of Conduct.

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(2) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		<p>the United Nation's sustainable development goals and international work rights and human rights conventions. Through the translation service of foreign worker agencies, the Company exchanges opinions regularly with foreign workers and communicates with them on issues concerning lifestyle as well as recreational activities.</p> <p>1.3 The Company recognizes and complies with the human rights protection principles conveyed in international human rights conventions including "The Universal Declaration of Human Rights," "The Global Compact," "The UN Guiding Principles on Business and Human Rights," and "ILO Declaration on Fundamental Principles and Rights at Work." We prohibit any act of human rights violation and vouch to treat all employees fairly with respect.</p> <p>2.1 Our company's employee attendance and vacation days are all handled in accordance with the Labor Standards Act and the annual calendar of government agencies issued by the Administration Yuan, Executive Yuan. The company has established a "Employee Benefits Policy" to regulate various allowances, bonuses, subsidies, and implement employee welfare measures. In addition, the company has established a "Prevention and Handling Measures for Workplace Sexual Harassment Complaints and</p>	

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																												
	Yes	No	Summary																													
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained	V		<p>Disciplinary Actions" and a "Written Declaration Prohibiting Workplace Sexual Harassment" to safeguard the diversity and equality of employees in the workplace.</p> <table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>The number of female staff</td> <td>59</td> <td>58</td> <td>56</td> </tr> <tr> <td>Female staff proportional</td> <td>26%</td> <td>25%</td> <td>25%</td> </tr> <tr> <td>The number of employees</td> <td>230</td> <td>234</td> <td>230</td> </tr> <tr> <td>Number of female supervisors</td> <td>3</td> <td>7</td> <td>9</td> </tr> <tr> <td>The proportion of female supervisors</td> <td>8%</td> <td>18%</td> <td>23%</td> </tr> <tr> <td>The number of supervisors</td> <td>38</td> <td>38</td> <td>40</td> </tr> </tbody> </table>		2020	2021	2022	The number of female staff	59	58	56	Female staff proportional	26%	25%	25%	The number of employees	230	234	230	Number of female supervisors	3	7	9	The proportion of female supervisors	8%	18%	23%	The number of supervisors	38	38	40	
		2020	2021	2022																												
The number of female staff	59	58	56																													
Female staff proportional	26%	25%	25%																													
The number of employees	230	234	230																													
Number of female supervisors	3	7	9																													
The proportion of female supervisors	8%	18%	23%																													
The number of supervisors	38	38	40																													
	V		<p>2.2 If the company generates profits in its annual financial statements, according to the company's bylaws, employee bonuses will be distributed to share the company's performance or results with its employees. The company also adjusts employee salaries in a timely manner by referring to industry salary standards and adjustment rates to retain outstanding talents.</p> <p>3. Employees work mostly in an office environment, and the Company is dedicated to providing employees with a safe and comfortable workplace featuring high-</p>																													

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary													
regularly on safety and health issues?	V		<p>quality facilities. Maintenance of the work environment: The Company imposes rigorous safety and health requirements starting from the procurement of equipment. The office is thoroughly cleaned every weekend; any malfunction of office equipment and any potential hazard in the workplace is repaired, rectified, eliminated, and protected with appropriate gear immediately upon discovery. Care for employees' health: The Company organizes regular health checkups for employees, and requires new recruits to undergo 2 hours of workplace introduction and safety and health training.</p> <p>3.2 The Company has not obtained relevant verification. 3.3 Statistics of occupational accidents for our company's employees in the past three years</p> <table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>The number of events</td> <td>3</td> <td>2</td> <td>1</td> </tr> <tr> <td>Number</td> <td>4</td> <td>2</td> <td>1</td> </tr> </tbody> </table>		2020	2021	2022	The number of events	3	2	1	Number	4	2	1	
	2020	2021	2022													
The number of events	3	2	1													
Number	4	2	1													
(4) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		<p>4. The Company has implemented its own training policy, and arranges internal as well as external training based on the skills and knowledge needed at work to help employees grow over their careers. Managers</p>													

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(5) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered, and implemented consumer/customer protection policies and complaint procedures?			<p>would rotate employees on purpose as part of routine training to help them identify strengths and explore career paths that put their strengths to the best use. (hours)</p> <p>5.1 The Company produces synthetic fibers and serves business customers only. To ensure that end consumers have access to environmentally friendly and toxicity-free products, the Company obtained environmental label for POY and FDY (glossy) products in April 2010. In February 2011, Oeko-Tex certification was obtained for polyester chips. In February 2011, Oeko-Tex certification was obtained for polyester filaments and yarns, and has since been maintained to date. In September 2016, Oeko-Tex certification was obtained for black yarn, and has since been maintained to date.</p> <p>5.2 The Company has disclosed contact email and phone number on the website that customers may use to claim consumer protection and raise complaints.</p>	
(6) Has the Company implemented a supplier management policy that regulates suppliers' conducts with			<p>6.1 The Company has established a "Supplier Sustainable Development Management Policy," "Supplier Social Responsibility Commitment," and "Supplier Integrity and</p>	



Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies								
	Yes	No	Summary									
respect to environmental protection, occupational safety and health, or work rights/human rights issues, and tracked suppliers' performance on a regular basis?			<p>Anti-Corruption Pledge." that requires suppliers to pay attention to issues concerning environmental protection, occupational safety and health, and workers' rights, and to comply with relevant regulations. Suppliers are awarded points for passing relevant certifications in the supplier evaluation. All existing suppliers are subjected to supplier evaluation once a year; any environmental incident or adverse news coverage would be reflected in supplier's evaluation.</p> <p>6.2 Suppliers that are more friendly to the environment and workers are placed on the priority procurement list, whereas suppliers that exhibit history of undesirable conduct will have transactions suspended to prevent negative feedback from the general public.</p> <p>6.3 The company conducts an annual evaluation of supplier performance in fulfilling social responsibilities through a "Supplier Social Responsibility Assessment." Those that violate the CSR policy and have the potential to pose significant impact on the environment or the society will be disqualified and discontinued from trading.</p> <table border="1"> <thead> <tr> <th>2023</th> <th>Number of samples</th> <th>replies</th> <th>Proportion of replies</th> </tr> </thead> <tbody> <tr> <td>Supplier Social Responsibility Commitment</td> <td>21</td> <td>21</td> <td>100%</td> </tr> </tbody> </table>	2023	Number of samples	replies	Proportion of replies	Supplier Social Responsibility Commitment	21	21	100%	
2023	Number of samples	replies	Proportion of replies									
Supplier Social Responsibility Commitment	21	21	100%									

Assess criteria	Actual governance (Note 1)				Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies			
	Yes	No	Summary					
			Supplier Integrity and Anti-Corruption Pledge.	21	21	100%		
			Supplier Social Responsibility Assessment.	21	21	100%		
			6.4 Sustainable supplier evaluation levels and corresponding measures					
			evaluation levels	corresponding measures				
			Excellent (90-100 points)	It is recommended to increase the purchase volume				
			Good (80-89 points)	Maintain current procurement volume				
			(70-79 points ),	It is possible to maintain the current procurement volume, but it is required to improve the social responsibility score.				
			Poor (70-60 points)	discusses reducing the number of purchases and asks for improved social responsibility scores. Failure to score 70 points for two consecutive years				

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies				
	Yes	No	Summary					
			<table border="1"> <tr> <td></td> <td>will result in suspension or disqualification of qualified suppliers.</td> </tr> <tr> <td>Inferior (60 points or less)</td> <td>immediately cease or disqualify qualified suppliers.</td> </tr> </table>		will result in suspension or disqualification of qualified suppliers.	Inferior (60 points or less)	immediately cease or disqualify qualified suppliers.	
	will result in suspension or disqualification of qualified suppliers.							
Inferior (60 points or less)	immediately cease or disqualify qualified suppliers.							
5. Does the Company prepare sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?	V		The "2021 ESG Report" of Hung Chou Fiber Industrial dated June 8, 2022 was the 6th CSR/ESG Report published by the Company. The report was prepared based on the core option of GRI Standards published by the Global Reporting Initiative (GRI) after making appropriate adjustments for industry differences and characteristics. The Company had prepared the "2021 ESG Report" in its own capacity without assurance of a third party and without obtaining CPA's opinion.	Complied with Corporate Social Responsibility Code of Conduct.				
<p>6. If the Company has established sustainability policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles:  Explanation: The Company established its own Corporate Social Responsibility Code of Conduct on November 14, 2016; later on March 4, 2021, the board of directors passed a decision to amend the Corporate Social Responsibility Code of Conduct and assemble a <b>Corporate Governance (Corporate Social Responsibility) Promotion Team</b> in line with the authority's instructions. Each year, the vice president of GM's Office would gather environmental safety personnel from various factories to consolidate and examine the data they have gathered on issues concerning "environment and occupational health," "quality and environmental safety/health management," "environmental and occupational health and safety performance," "sustainable development," "social responsibilities" etc., for the preparation of ESG Report (the 2021 issue was released on June 8, 2022). This report, along with yearly ESG updates, are subsequently presented to the board of directors (last presented on August 3, 2022). The Company plans to rename its "Corporate Social Responsibility Code of Conduct" to "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and rename the "ESG Report" to "Sustainable Development Report"</p>								

Assess criteria	Actual governance (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

in 2022. For details on the Company’s corporate social responsibility practices, please refer to the annual CSR reports made available on the corporate website.

7. Other information useful to the understanding of sustainable practice:  
 Explanation:  
 1. The Company and its parent company make yearly donations to charity organizations out of care for the local community. Through these charity organizations, the Company provides aid to low income households and caters for the wellbeing of the underprivileged. Please refer to the “2021 ESG Report” (the 2021 issue was released on June 8, 2022) available on the corporate website for more details on the Company’s corporate social responsibility actions. The Company takes passion in charity activities, and is highly committed to giving back to the local community.

- Note 1: If Actual Governance is specified “Yes,” please explain the key policies, strategies, and measures taken and the execution progress; if Actual Governance is specified “No,” please provide reasons and explain any policy, strategy and measure planned for the future.
- Note 2: If the Company has prepared a CSR report, Actual Governance may be completed by providing page references to the CSR report instead.
- Note 3: Materiality principle refers to environmental, social, and corporate governance issues that are of material impact to the Company’s investors and stakeholders.

## Climate-Related Information of TWSE/TPEX Listed Company

### 1. Implementation of Climate-Related Information

Item	Implementation status														
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p>	<p>The Company (including its subsidiaries) follows the "Corporate Governance 3.0 - Sustainable Development Roadmap" issued by the competent authority, the FSC, to disclose the assessment and management of the Company's climate-related risks based on the international guidelines and framework of Task Force on Climate-related Financial Disclosures (TCFD) since 2022.</p>														
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p>	<p>1. Climate-related Risk Assessment Framework (TCFD)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 55%; text-align: center;">Management policy</th> <th style="width: 30%; text-align: center;">Implementation status</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: middle;">Governance</td> <td> <ul style="list-style-type: none"> <li>◎ Regularly report to the Board of Directors on the Company's assessment and management of climate-related risks and opportunities.</li> <li>◎ To be promoted by the Corporate Governance Promotion Team.</li> </ul> </td> <td style="vertical-align: top;"> <p>The Corporate Governance Promotion Team will assess and manage the implementation of climate-related risks and opportunities and report to the Board of Directors on an annual basis.</p> </td> </tr> <tr> <td style="text-align: center; vertical-align: middle;">Strategy</td> <td> <ul style="list-style-type: none"> <li>◎ To identify the short-, medium- and long-term climate-related risks and opportunities for the Company through communication and discussion among heads of each department.</li> <li>◎ Assess the impact of climate-related issues on the Company's businesses, strategies and financial planning.</li> <li>◎ Scenario analysis and scientifically based reduction targets are used as the Company's strategy to respond to climate change.</li> </ul> </td> <td style="vertical-align: top;"> <p>Identifying risks and opportunities based on the TCFD, a total of 11 risk and 3 opportunity was identified.</p> <p>The identified risks and opportunities were used to assess the probability and materiality of the risk impact.</p> <p>Using a 2°C global warming scenario proposed by the UN Intergovernmental Panel on Climate Change (IPCC), we simulate the risks and opportunities of company operations and formulate response actions to climate change.</p> </td> </tr> <tr> <td style="text-align: center; vertical-align: middle;">Risk Management</td> <td> <ul style="list-style-type: none"> <li>◎ Regularly review and assess the processes of climate-related risks with the framework of TCFD.</li> <li>◎ Based on the results of climate change</li> </ul> </td> <td style="vertical-align: top;"> <p>To quantify and rank the probability and materiality of the identified risks and opportunities in order to assess the impact on the Company's operations and finances.</p> </td> </tr> </tbody> </table>				Management policy	Implementation status	Governance	<ul style="list-style-type: none"> <li>◎ Regularly report to the Board of Directors on the Company's assessment and management of climate-related risks and opportunities.</li> <li>◎ To be promoted by the Corporate Governance Promotion Team.</li> </ul>	<p>The Corporate Governance Promotion Team will assess and manage the implementation of climate-related risks and opportunities and report to the Board of Directors on an annual basis.</p>	Strategy	<ul style="list-style-type: none"> <li>◎ To identify the short-, medium- and long-term climate-related risks and opportunities for the Company through communication and discussion among heads of each department.</li> <li>◎ Assess the impact of climate-related issues on the Company's businesses, strategies and financial planning.</li> <li>◎ Scenario analysis and scientifically based reduction targets are used as the Company's strategy to respond to climate change.</li> </ul>	<p>Identifying risks and opportunities based on the TCFD, a total of 11 risk and 3 opportunity was identified.</p> <p>The identified risks and opportunities were used to assess the probability and materiality of the risk impact.</p> <p>Using a 2°C global warming scenario proposed by the UN Intergovernmental Panel on Climate Change (IPCC), we simulate the risks and opportunities of company operations and formulate response actions to climate change.</p>	Risk Management	<ul style="list-style-type: none"> <li>◎ Regularly review and assess the processes of climate-related risks with the framework of TCFD.</li> <li>◎ Based on the results of climate change</li> </ul>	<p>To quantify and rank the probability and materiality of the identified risks and opportunities in order to assess the impact on the Company's operations and finances.</p>
	Management policy	Implementation status													
Governance	<ul style="list-style-type: none"> <li>◎ Regularly report to the Board of Directors on the Company's assessment and management of climate-related risks and opportunities.</li> <li>◎ To be promoted by the Corporate Governance Promotion Team.</li> </ul>	<p>The Corporate Governance Promotion Team will assess and manage the implementation of climate-related risks and opportunities and report to the Board of Directors on an annual basis.</p>													
Strategy	<ul style="list-style-type: none"> <li>◎ To identify the short-, medium- and long-term climate-related risks and opportunities for the Company through communication and discussion among heads of each department.</li> <li>◎ Assess the impact of climate-related issues on the Company's businesses, strategies and financial planning.</li> <li>◎ Scenario analysis and scientifically based reduction targets are used as the Company's strategy to respond to climate change.</li> </ul>	<p>Identifying risks and opportunities based on the TCFD, a total of 11 risk and 3 opportunity was identified.</p> <p>The identified risks and opportunities were used to assess the probability and materiality of the risk impact.</p> <p>Using a 2°C global warming scenario proposed by the UN Intergovernmental Panel on Climate Change (IPCC), we simulate the risks and opportunities of company operations and formulate response actions to climate change.</p>													
Risk Management	<ul style="list-style-type: none"> <li>◎ Regularly review and assess the processes of climate-related risks with the framework of TCFD.</li> <li>◎ Based on the results of climate change</li> </ul>	<p>To quantify and rank the probability and materiality of the identified risks and opportunities in order to assess the impact on the Company's operations and finances.</p>													
<p>3. Describe the financial impact of extreme weather events and transformative actions.</p>															
<p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk</p>															

management system.

	<p>risk identification and ranking, to formulate an action plan.</p> <ul style="list-style-type: none"> <li>⊙ Integrate with the Company's risk management system and conduct regular assessments on an annual basis.</li> </ul>	<p>To formulate the Company's response actions and priorities. For details, please refer to the "Risk Management Policy" of the Company.</p>
Metrics and Targets	<ul style="list-style-type: none"> <li>⊙ Establishing climate-related risk and opportunity management indicators.</li> <li>⊙ Conduct annual GHG inventories in accordance with the ISO 14064-1 standard.</li> <li>⊙ Set climate change management targets and regularly review the achievement of the targets.</li> </ul>	<p>Conduct annual GHG inventories. Reduce GHG emissions per unit of product and use solar power green electricity. Use natural gas instead of heavy fuel oil. Continuously implement carbon reduction measures.</p>

## 2. Identification of Climate-related Risks and Opportunities

Opportunity	Description
Resource efficiency	Increase the use of variable frequency drive for energy-consuming equipment such as air compressor, cooling tower, freezing machine, dryer, etc. and use LED energy saving tubes, so as to save electric energy consumption.
Energy Source	Increase the use of low-carbon green energy or renewable energy. Switch to natural gas instead of heavy fuel oil to reduce air pollution.
Products and Services	Tailings recycling and reuse. recycle PET bottles and reuse products.
Markets	Not applicable.
Resilience	Not applicable.

## 3. Climate-related Risks Matrix

5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.

6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.

High Medium Low Risk probability	<ul style="list-style-type: none"> <li>● Increased requirement and regulation of sustainability</li> </ul>	<ul style="list-style-type: none"> <li>● Increased cost of GHG emission</li> <li>● Environmental policies have become increasingly stringent</li> </ul>	<ul style="list-style-type: none"> <li>● Changes in Customer Behavior</li> </ul>
		<ul style="list-style-type: none"> <li>● Customer Preference Transfer</li> </ul>	<ul style="list-style-type: none"> <li>● Increased costs of transition to low carbon technologies</li> </ul>
	<ul style="list-style-type: none"> <li>● Average temperature rise</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing frequency and severity of typhoons/floods</li> <li>● Increasing frequency and severity of rainstorms</li> </ul>	<ul style="list-style-type: none"> <li>● New Technology Investment Fails</li> <li>● Changing Rainfall Patterns and Dramatic Weather Changes</li> </ul>
	Short term (<3 years)	Medium term (3-5 years)	Long term (>5 years)
Period			

4. The scenarios, parameters, assumptions, analysis factors of climate=change risks and major financial impacts

Climate-related Risk	Climate Change	Financial Impact	Responses and Actions
Increased requirement and regulation of sustainability	2°C Scenario	Production factories may need to amend the direction in response to the Renewable Energy Development Act to increase the cost of renewable energy installed capacity construction and purchase of Renewable Energy Certificates.	Invested NT\$40,000,000 to build solar energy equipment of 1,300KW to meet the requirements of the large electricity customers to install 10% of the contract capacity of renewable energy equipment.

		Increased cost of GHG emission	2°C Scenario	In response to the regulation of Taiwan's GHG Reduction and Management Act, the Company has to improve the energy efficiency of its production equipment and office premises, and may be affected by the potential carbon tax and carbon trading system, resulting in increased operating costs.	Conducted GHG inventory in accordance with ISO 14064-1 standard. Net-zero emissions as the goal, apply for the carbon offset program, and continue to implement energy saving programs.
		Environmental policies have become increasingly stringent	NDC Scenario	Due to the increasing stringency of air pollution emission standards, the original oil-fired boilers need to be replaced with other equipment.	Switching from oil-fired boilers to natural gas burning.
		Changes in Customer Behavior	Well-below 2°C Scenario	As end-users and brands become more aware of sustainability and environmental protection, they are more willing to increase the price and quantity of low-carbon products and eco-friendly products they purchase, which affects the revenue of other products.	Increase the production of recycled yarn for PET bottles and biodegradable yarn to respond to the change of customers' consumption behavior and enhance the added value of our products.
		Risk Category	Risk Profile	Climate-Related Risk	Potential Financial Impact
		Transition Risks	Policy and Legal	Increased requirements and regulations related to sustainability	Production factories may need to amend the direction in response to the Renewable Energy



<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or</p>				Development Act to increase the cost of renewable energy installed capacity construction and purchase of Renewable Energy Certificates (RECs).	
				Increased cost of GHG emissions	In response to the regulation of Taiwan's GHG Reduction and Management Act, the Company has to improve the energy efficiency of its production equipment and office premises, and may be affected by the potential carbon tax and carbon trading system, resulting in increased operating costs.
				Environmental policies have become increasingly stringent	Due to the increasing stringency of air pollution emission standards, the original oil-fired boilers need to be replaced with other equipment.
		Technology	Increased costs of transition to low carbon technologies	The progress of the technology of global low-carbon transition will cause the Company to accelerate the replacement of plant/equipment/vehicles to improve energy	

<p>renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>9. Greenhouse gas inventory and assurance status (separately fill out in point 1-1 below).</p>				efficiency, resulting in higher operating costs.	
				New Technology Investment Fails	The Company invests in new technologies in a phased manner and in small quantities to ensure the effectiveness of the investment. There is no possibility of failure of investment resulting in non-recovery of large investment costs, and the financial impact is relatively insignificant.
			Market	Changes in Customer Behavior	As end-users and brands become more aware of sustainability and environmental protection, they are more willing to increase the price and quantity of low-carbon products and eco-friendly products they purchase, which affects the revenue of other products.
		Reputation	Customer Preference Transfer	High carbon emissions and low climate resilience may affect customers' trust in the Company, which may damage the Company's goodwill and further affect the Company's revenue.	
	Physical Risks	Acute Risk	Increasing frequency	Extreme physical risks	

				and severity of typhoons/floods	may cause damage to factories and warehouses, resulting in damage to production equipment or products, causing customer complaints and affecting brand image.
				Increasing frequency and severity of rainstorms	
			Chronic Risk	Changing Rainfall Patterns and Dramatic Weather Changes	Prolonged droughts caused by changes in rainfall patterns will affect the stability of production water and cause production disruptions. Dramatic changes in temperature, such as an increase in the number of days with extreme high temperatures, will also change customers' consumption patterns, making it more difficult to forecast sales and production, and creating an imbalance between production and sales.
				Average temperature rise	The rise in average temperature will cause a large increase in electricity consumption and shortage of electricity supply, resulting in a higher chance of power outage.

5. The Company is currently in the process of understanding and evaluating the content of an internal carbon pricing system, and we may use it as a planning tool in the future.

	<p>6. The Company and its subsidiaries' GHG reduction policy takes 2023 as the base year and aims to reduce GHG emissions by 30% by 2030 and to reach net zero emissions by 2050. The activities covered include:</p> <ol style="list-style-type: none"> <li>1. The Company will continue to promote the ISO-14064 standard to conduct GHG inventories, and let all departments know the achievements of energy saving and carbon reduction promotion.</li> <li>2. Continuing to negotiate the introduction of energy-saving equipment in the head office and conduct efficiency assessment.</li> <li>3. Continuing to promote the participation of all employees in energy saving and carbon reduction activities and promote energy saving measures.</li> <li>4. Actively cooperate with green energy (solar energy) equipment manufacturers to obtain the carbon rights of renewable energy.</li> <li>5. Comply with environmental protection laws and regulations, customer requirements and related regulations.</li> </ol> <p>7. Separately fill out in point 1-1 below.</p>
--	--

1-1. Greenhouse Gas Inventory and Assurance Status      Instructions for Completing the Table:

1. Scope 1 and Scope 2 information in this table shall be disclosed according to the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Scope 3 information may be voluntarily disclosed by the business.
2. The company may conduct the greenhouse gas inventory in accordance with the following standards: (1) The Greenhouse Gas Protocol (GHG Protocol). (2) ISO 14064-1 issued by the International Organization for Standardization.
3. The assurance body shall meet the provisions regarding assurance of sustainability reports prescribed by the TWSE and the TPEX.
4. The information for subsidiaries may be reported individually, or in aggregate (e.g., by country or by region), or on a consolidated basis (Note 1).
5. The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) should be disclosed (Note 2).
6. The proportion of total emissions from operating sites or subsidiaries not included in the inventory calculation shall not be more than 5%. "Total emissions" above means the quantity of emissions calculated according to the mandatory inventory scope referred to in point 1 of these Instructions

for Completing the Table.

7. The description of assurance status shall summarize the content of the assurance report of the assurance body, and the complete assurance opinion shall be appended to the annual report (Note 3).

<p>Basic information of the company</p> <p><input type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry</p> <p><input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion</p> <p><input checked="" type="checkbox"/> Capital of less than NT\$5 billion</p>	<p>Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies:</p> <p><input checked="" type="checkbox"/> Inventory for parent company only <input checked="" type="checkbox"/> Inventory for all consolidated entities</p> <p><input type="checkbox"/> Assurance for parent company only <input type="checkbox"/> Assurance for all consolidated entities</p>
--	--

Scope 1	Total emissions (Metric tons CO2e)	Turnover - individual (million dollar)	Intensity (Metric tons CO2e / NT\$ 1 million) (Note 2)	Assurance body	Description of assurance status (Note 3)
Hung Chou Fiber Industry Co. Ltd.	14,591.3131	3,169	4.60439	None	The China Productivity Center has been commissioned to conduct an assurance for the year 2022, but as of the date of the annual report, an external assurance audit has not yet been carried out.
Scope 2	Total emissions (Metric tons CO2e)	Turnover - individual (million dollar)	Intensity (Metric tons CO2e / NT\$ 1 million) (Note 2)	Assurance body	Description of assurance status (Note 3)
Hung Chou Fiber Industry Co. Ltd.	26,430.7514	3,169	8.340408	None	The China Productivity Center has been commissioned to conduct an assurance for the year 2022, but as of the date of the annual report, an external assurance audit has not yet been carried out.
Scope 3	Total emissions (Metric tons CO2e)	Turnover - individual (million dollar)	Intensity (Metric tons CO2e / NT\$ 1 million) (Note 2)	Assurance body	Description of assurance status (Note 3)
Hung Chou Fiber Industry Co. Ltd.	Not checked	not applicable	not applicable	None	As of the date of the annual report, the results of the investigation have not yet been released . Once the investigation data is available, it will be included in our company's ESG report or announced on our company's website.

**(6) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies**

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p>	V		<p>1.1 The Company established its own “Integrity Code of Conduct” based on Ethical Corporate Management Best Practice Principles for TWSE/TPEX- listed Companies, which was approved by the board of directors on November 13, 2014.</p> <p>1.2 On March 4, 2021, the board of directors passed a new version of the “Integrity Code of Conduct” that was amended according to the instructions of the authority.</p> <p>1.3 The Company upholds all contracts signed and the commitments made, including the terms of trade, terms of payment, and method of interest accrual. All products sold are accurately labeled with item name, specification, and quantity, and all notes issued are honored in a timely manner.</p>	Complied with Articles 4 and 5 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”
<p>(2) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest</p>	V		<p>2.1 The Company has implemented an Integrity Code of Conduct that outlines the following for the prevention of dishonest conduct:</p> <p>① Definitions on the offering/acceptance of improper gains.</p> <p>② Procedures for offering legitimate political donations.</p>	Complied with Articles 2, 6, and 10 to 14 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX- listed Companies”

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?			<p>③ Procedures for offering legitimate donations or sponsorships, and limits.</p> <p>④ Rules against conflict of interest, including reporting and handling procedures.</p> <p>⑤ Confidentiality rules for secrets and sensitive information obtained through business activity</p> <p>⑥ Rules and procedures for suppliers, customers, and business counterparties involved in dishonest conduct.</p> <p>⑦ Procedures for handling violation against the Business Integrity Code of Conduct.</p> <p>⑧ Disciplinary actions against violators.</p> <p>2.2 The Company has established a set of “Ethical Behavior Guidelines” to regulate the conducts of its directors, Audit Committee members, and managers. The “Ethical Behavior Guidelines” was subsequently amended during the board of directors meeting dated March 4, 2021; both the board of directors and the management are committed to enforcing and supervising execution of the business integrity policy. Please visit the Company’s website at <a href="http://www.hungchou.com.tw">http://www.hungchou.com.tw</a></p> <p>2.3 The Company has stated in its personnel management policy that all managers, employees, and personnel vested with internal control authority are prohibited from accepting any inappropriate gains, whether directly or indirectly. They shall also refrain from</p>	

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		<p>committing any action that would be construed as dishonest, illegal, or in breach of trust, such as fraud, embezzlement, acceptance of bribe, breach of confidentiality, profiteering, and misrepresentation. These conducts are taken into account as part of employees' performance evaluation.</p> <p>3.1 The Company explicitly prohibits employees involved in operational, procurement, outsourcing, work supervision, or budgeting duties and any other role that is prone to conflict of interest with suppliers from offering and accepting bribes, making illegal political donations, offering inappropriate charity donations/sponsorships, and offering or accepting gifts, treatments, or gains of inappropriate nature. Violators will be subject to escalated level of discipline to prevent recurrence.</p> <p>3.2 During the board of directors meeting held on March 4, 2021, a decision was passed to establish "Business Integrity Procedures and Behavioral Guidelines."</p> <p>3.3 The Company promotes integrity awareness among employees and insiders once a year as a way to create a culture of integrity and prevent dishonest conducts. Through these awareness campaigns, the Company hopes to remind stakeholders to abide by and respect the Company's ethical and integrity standards.</p>	Complied with Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"



Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			All relevant procedures, behavioral guidelines, disciplinary actions, and grievance systems have been disclosed on the corporate website ( <a href="http://www.hungchou.com.tw">http://www.hungchou.com.tw</a> )	
2. Business integrity				
(1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		1. The Company would avoid dealing with suppliers or customers that have known history of dishonesty in order to avoid occurrence of dishonest conduct that may compromise the Company's interests.	Complied with Article 9 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"
(2) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?	V		2. The Company has "Ethical Behavior Guidelines," "Integrity Code of Conduct," and personnel management policy in place, and assigns the GM's Office to enforce business integrity throughout the organization. Business integrity actions, along with the "ESG Report," are reported to the board of directors on a yearly basis (last reported on August 3, 2022).	Complied with Article 17 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"
(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		3.1 The GM's Office is the unit responsible for accepting reports of dishonest conduct and conflict of interest. Channels for making such reports have been created on the corporate website. 3.2 Directors of the Company observe the "Board of Directors Conference Rules" (visit the corporate website at	Complied with Article 19 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or	V		<p><a href="http://www.hungchou.com.tw">http://www.hungchou.com.tw</a> for details) and are highly disciplined. Not only are directors required to provide detailed explanations on any stakes held by them or the corporate entities they represent in the motions discussed during board meeting, they are also required to disassociate from discussion and voting if their interests are in conflict to those of the Company. In which case, the recused directors may not delegate other directors to vote on their behalf.</p> <p>3.3 The Company has specified in its “Personnel Management Policy” and “Material Insider Information Handling and Insider Transaction Prevention Procedures” the recusal principles that employees are bound to obey, as well as the need to report any potential conflict of interest. Non-compete clauses have also been implemented to prevent conflict of interest.</p> <p>3.4 The Company has a “Stakeholder Grievance Handling System” in place that provides employees and internal/external stakeholders with the means to raise grievance and report illegal or inappropriate conducts.</p> <p>4.1 The Company’s accounting, internal control, and internal audit systems are effective at monitoring business integrity within the organization.</p> <p>4.2 The Company has created a complete</p>	<p>Complied with Article 23 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies”</p> <p>Complied with Article 20 of</p>

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?</p>			<p>accounting system supported by robust internal control and internal audit practices. Business operations are divided into separate cycles, such as sales, procurement, production, financing, property, plant and equipment, investment, R&amp;D, and IT; and each cycle encompasses four levels of check and balance: level 1 involves routine check and approval by department managers; level 2 involves bookkeeping certificate review by the accounting unit; level 3 involves annual routine audits and special audits by the internal audit unit; and level 4 involves annual internal control self-assessments by the respective departments. These practices help enforce internal control from the department level down to individual employees. External CPAs, too, take part in the internal control system by making random checks and reconciliations of original documents on a yearly basis. The CPAs then issue an internal control system review report to the Company based on their findings.</p>	<p>"Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"</p>
<p>(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?</p>	V		<p>5.1 The Company educates employees and insiders on related issues once a year, and shares integrity case studies with employees via internal email from time to time.</p> <p>5.2 The Chairman reiterates the Company's "integrity" philosophy in meetings as well as</p>	<p>Complied with Paragraph 2, Article 22 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX- listed Companies"</p>

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			public occasions. Meanwhile, the Company encourages and makes arrangements for directors and supervisors to participate in training courses organized by external institutions.	
<p>3. Whistleblowing system</p> <p>(1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?</p> <p>(2) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p>	V		<p>1.1 The GM's Office is responsible for accepting misconduct reports and grievances relating to integrity violation. No report of misconduct or violation was received in 2022.</p> <p>1.2 The Company has implemented a "Stakeholder Grievance Handling System" and assigned Spokesperson Heng-Chia Chang to serve as the contact person (TEL: 26575859 ext: 530; Email: albert@yijinn.com.tw)</p>	Complied with Article 23 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"
	V		<p>2.1. The Company has implemented a "Stakeholder Grievance Handling System" along with standard procedures and confidentiality measures for handling misconduct reports. All misconduct reports are forwarded to the internal audit unit, which investigates the nature of misconduct report or grievance in detail and decides on the appropriate actions.</p> <p>2.2. The Company has outlined in its Personnel Management Policy the proper procedures for handling and investigating grievances and</p>	

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Has the Company provided proper whistleblower protection?	V		<p>misconduct reports. Handlers are required to maintain confidentiality over case details unless approved otherwise by the accountable manager.</p> <p>3. Spokesperson Heng-Chia Chang serves as the contact window for misconduct reports, whereas the internal audit audit is responsible for carrying out investigations. All employees are required to maintain confidentiality over case details such as the nature of grievance, the identify of the party involved, and personal particulars, which can not be disclosed or made known to any third party unless required by laws or deemed necessary for investigation, resolution, or contact.</p> <p>Whistleblowers, plaintiffs, and all personnel taking part in the investigation are given protection against unfair treatment and retaliation.</p>	
4. Enhanced information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V		<p>The Company has created its own website and disclosed details of its Integrity Code of Conduct on the website and over the Market Observation Post System. Information relating to business integrity is also disclosed in annual reports.</p> <p>Employees from relevant departments have been assigned to gather and maintain website</p>	Complied with Article 25 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies"

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>information. The Treasury Department has dedicated personnel available to disclose financial data and material information over Market Observation Post System. This information is presented simultaneously to the Company's spokesperson.</p> <p>The Company prepares annual general meeting handbooks in Chinese and English for view by domestic investors, investment trust enterprises, and individuals.</p>	
<p>5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The board of directors passed amendments to the "Integrity Code of Conduct" and establishment of the "Business Integrity Procedures and Behavioral Guidelines" during the meeting held on March 4, 2021. Actual governance is as described above, and there was no deviation from the Company's codes.</p>				
<p>6. Other information relevant to understanding the Company's business integrity: (e.g. review of business integrity principles) The Company encourages and makes arrangements for directors and managers to undergo corporate governance training each year as a way to enhance governance and supervisory skills. The Company also places hope in the board's ability to contribute to corporate governance and business integrity. Suppliers are notified of the Company's integrity policy from time to time through official correspondence.</p> <p>The "Business Integrity Procedures and Behavioral Guidelines" was passed during the 8th meeting of the 18th board (held on March 4, 2022)</p>				

Assess criteria	Actual governance (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

<p>Enforcement of business integrity in 2022:</p> <ol style="list-style-type: none"> <li>1. Compliance as the foundation for integrity: The company conducted a one-hour internal training session on "Prevention and Education of Insider Trading and Code of Conduct and Legal Compliance for 2022" for directors and supervisors, with 9 attendees in total.</li> <li>2. The company also distributed and reviewed the "Corporate Governance Related Guidelines and Operating Procedures for 2022" (including legal compliance education, code of conduct and ethical behavior guidelines, and human rights education) with department and section managers, with a total of 28 attendees for one hour. Additionally, non-managerial employees (including security personnel) below the department and section manager level read the materials for 0.5 hours, with 97 attendees in total.</li> <li>3. Violations against business integrity: 0</li> <li>4. Stakeholder assurance and avoidance of conflicting interest: employee communication (2 labor-management meetings were held), shareholder/investor communication (1 investor seminar was held), avoidance of conflicting interest (1 recusal from director)</li> </ol>				
--	--	--	--	--

Note: Always provide explanation in the summary description column, regardless of whether there are any deviations from the best practice principles.

- (7) Method of inquiry for corporate governance principles and related policies, if any:

Visit the Company's website at [www.hungchou.com.tw](http://www.hungchou.com.tw)

- (8) Other information material to the understanding of corporate governance within the Company

1. Succession plan for **members of the board and key management personnel**

To ensure proper succession of **directors and key management personnel**, the successors must possess characters that align with the Company's philosophy of "innovation, integrity, growth, and harmony" and a work attitude that is driven by "passion and pragmatism."

Director succession plan and execution

The Company acknowledges that directors are elected by shareholders, and that whether a candidate is elected for the director role depends solely on the number of votes received. Nevertheless, the Company tries to follow its "Corporate Governance Code of Conduct" as closely as possible when reviewing and recommending director candidates:

Board members should be diversified in a manner that supports the Company's operations, business activities, and growth requirements, provided that the number of directors who concurrently hold managerial positions do not exceed one-third of the board. The diversification policy should include, but is not limited to, the following two principles:

1. Background and value: Gender, age, nationality, culture etc.
2. Knowledge and skills: Career background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience. All board members shall possess the knowledge, skills, and characters needed to exercise their duties. For ideal corporate governance, the board of directors as a whole shall possess the following capacities:
  1. Operational judgment.
  2. Accounting and financial analysis.
  3. Business administration.
  4. Crisis management.
  5. Industry knowledge.
  6. Vision of the global market.
  7. Leadership.
  8. Decision making.

In an attempt to improve the diversity of directors' knowledge and skills, the Company would recommend or enroll the above courses for directors as a priority when planning their 6-hour ongoing education each year. All course fees are covered by the Company.

The Company has implemented a "Board of Directors and Functional Committee Performance Evaluation Policy" and adopted the practice of evaluating board of directors and functional committee performance at the end of each year. Outcome of the performance evaluation will be taken into consideration when selecting or nominating directors in the future.

**Key management** succession plan and execution

The Company convenes quarterly management meetings that are hosted personally by the Chairman. All participants of the management meeting are key managers, and the Company uses the meeting as an opportunity to train future successors:

- The Chairman shares business philosophy, personal experience, and ideas with participating managers.
- The participating managers would set annual (quarterly) performance



targets and report on the attainment of annual (quarterly) targets.

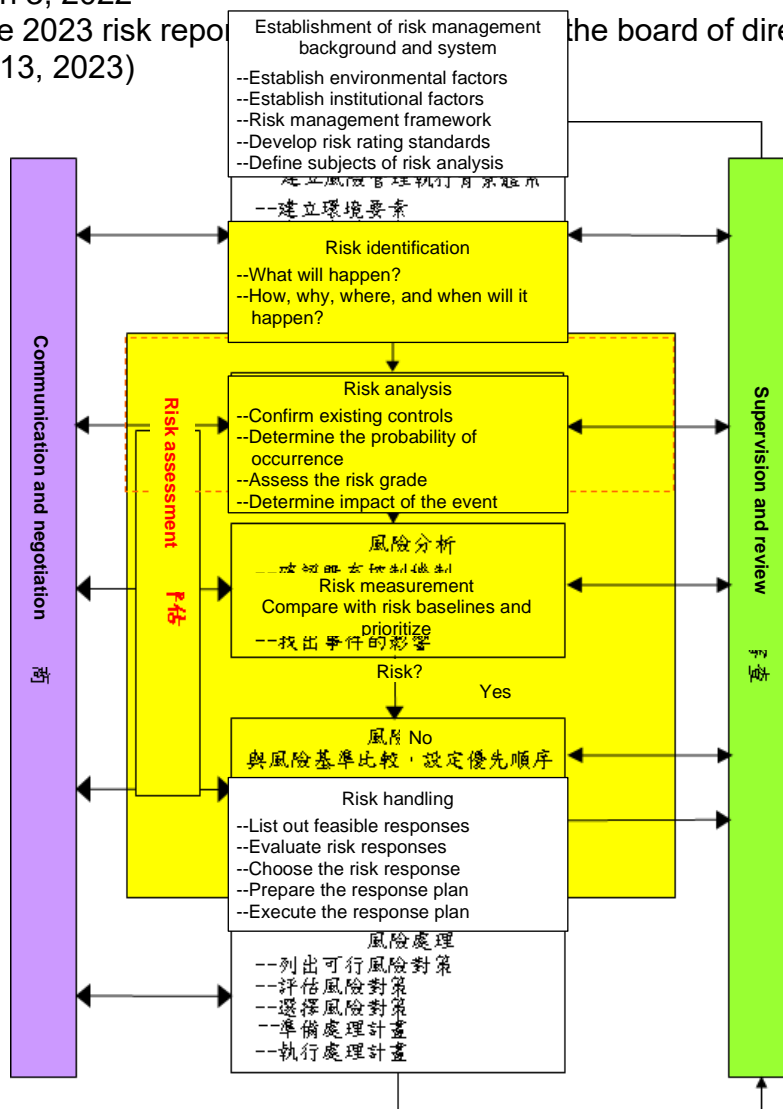
- Participating managers would share work experiences and ideas and learn from each other.
- By presenting business performance during the meeting, **management successors** can better appreciate and adopt the Company's business philosophy.

In addition to making management succession plan ahead of time, the Company also requires all key managers to develop one or two successors of their own and contribute to the continuity of human resources.

2. Risk management framework:

The 19th 3rd Board of Directors Meeting of our company (November 3, 2022) passed the "Risk Management Best Practice Guidelines." The Company has implemented a "risk management policy." Each year, factory department heads and managers would join and evaluate the probability and impact of environmental, social, and governance issues (including natural disaster, the economic environment, employees' conducts, business, legal affairs, management actions and control, and infrastructure) that are relevant to the Company based on principles of materiality, and determine the type of risk management policy or strategy to adopt in response. The Company presents risk reports to the board of directors once a year; the 2022 risk report was presented during the board of directors meeting held on March 3, 2022

(the 2023 risk report was presented during the board of directors meeting held on April 13, 2023)



### 3. Cybersecurity risk evaluation and analysis:

The textile industry has undergone multiple transformations and outgrown a multitude of crises over the years. With each transformation, the industry not only improves in terms of management practice and productivity, but also brings new players along with more diverse products that helped change the competitive focus of the market from “volume and price” toward “functionality and added value.” As the industry transitions into the digital era characterized by advanced technologies such as Industry 4.0, AI, and cloud computing, the Company faces yet another threat of elimination, as the production equipment and manpower that it had depended upon for its previous success may no longer be relevant in the future; instead, the ability to integrate information technologies will largely determine a business’ competitiveness and growth. However, large-scale adoption of information technology gives rise to concerns for the stability and security of the IT environment, and is one area of business operations that can not be neglected for any business that pursues innovation, quality, and timeliness of product or service delivery as the main competitive advantage.

The Company makes relevant, timely, and adequate investments into improving its IT environment and production equipment, and adopts cybersecurity risk management practices that are constantly revised in line with changes in internal control, industry norms, and service provider’s recommendations. The Company assesses cybersecurity risks using a total of 209 criteria across 10 categories as listed below (the criteria is amended according to the “Cybersecurity Checklist” published by ISACA Taiwan Branch). Self-assessments and analyses are conducted regularly from December to January the next year. Each criteria is given a rating (high/medium/low) along with quantitative measurement depending on the level of attainment, and those that exhibit higher risks are reviewed for potential improvements. The most recent reviews were made on October 11-19, 2021 by IT personnel, and the outcomes were presented to the General Manager as well as internal and external auditors.

All production equipment of the Company operate independently and are not connected to any information system (e.g.: manufacturing execution system; MES) or network for data gathering. Furthermore, the Company’s information management system functions only within the local network and is not connected to the Internet. The previous self-assessment identified weakness and potential risk with regards to the protection and handling of sensitive data; as an improvement measure, the Company plans to replace outdated computer terminals and upgrade the operating system to Windows 10, and will engage a cybersecurity service provider to conduct external tests and audits, thereby enhancing the robustness of cybersecurity protection and reliability of risk assessment outcomes. Overall, the level of cybersecurity risk is rated “low to medium” and does not pose major concern to business operations.

Item No.	Assessment category	Risk rating (%)			Key control measures
		Low	Medium	High	
1	Cybersecurity policy	70	30	0	1. The cybersecurity policy is reviewed and amended on a regular basis. 2. The internal audit unit performs annual audits of existing control measures.
2	Establishment	64	36	0	1. A cybersecurity management team

Item No.	Assessment category	Risk rating (%)			Key control measures
		Low	Medium	High	
	of cybersecurity organization				and a personal data protection team have been created. 2. Emergency response and reporting procedures for cybersecurity incidents have been established.
3	Personnel safety and management	30	70	0	1. Access rights of IT personnel and users have been defined as part of the internal control system; operational guidelines have been implemented to cater for the transfer and resignation of employees. 2. Access rights are reviewed on a yearly basis. 3. All PC terminals are inspected on a yearly basis to prevent them from being used for private purposes.
4	Asset classification and control	33	67	0	1. All software and hardware are registered for management purpose. 2. All PC terminals are inspected on a yearly basis to ensure proper maintenance of software and hardware.
5	Physical and environment security management	79	21	0	1. Server rooms are equipped with dedicated, automated temperature and power controls. 2. Servers and PC terminals of important nature are equipped with antivirus software and have data backed up daily. At least two backup versions are maintained at all times. 3. Data of the operating database is compressed and stored on magnetic tape everyday. The Company organizes yearly drills to simulate an occurrence of incident where data is restored at the backup server room.
6	Communication and operational management	64	36	0	1. The email server features self-protection and the ability to maintain audit trail. 2. Firewall logs are analyzed daily and an Internet activity recorder is used to block abnormal access both within and outside the firewall. 3. Cybersecurity incidents, notifications, and cases are communicated instantly to raise

Item No.	Assessment category	Risk rating (%)			Key control measures
		Low	Medium	High	
					<p>protection awareness.</p> <p>4. The Company adopts the protection solution offered by Hinet's cybersecurity team for more comprehensive coverage.</p>
7	Access control	71	29	0	<ol style="list-style-type: none"> <li>1. All electronic data is configured with department and personal access rights.</li> <li>2. External connections are subject to the consent of the department head and the General Manager.</li> <li>3. The email system is divided between internal and external partitions; employees that do not have the need to communicate outside the organization can only send mails to internal recipients.</li> <li>4. The human resources system keeps record trail automatically whenever it detects an attempt to access personal data.</li> </ol>
8	System development and maintenance	76	24	0	<p>Application systems are self-developed and self-maintained. The Company takes security requirements into consideration when planning a new system, and implements measures to prevent intrusion and alteration by external parties.</p>
9	Management of business continuity plan	60	40	0	<ol style="list-style-type: none"> <li>1. Security drills and tests are performed on the operating database on a yearly basis.</li> <li>2. Emergency response plans are devised for all important equipment, which are to be followed in the event of a major cybersecurity incident.</li> </ol>
10	Internal audit and others	55	45	0	<ol style="list-style-type: none"> <li>1. As part of the annual PC inspection, the Company checks the scope of license for all installed software and requires employees to remove software or provide proof of license for any software installation in excess of the prescribed limit. The scope of software/hardware inspection is constantly updated to reflect asset changes.</li> <li>2. The IT unit conducts annual self-assessments on the security of IT operations and the IT environment.</li> <li>3. Internal auditors perform annual audits on IT controls.</li> </ol>

Item No.	Assessment category	Risk rating (%)			Key control measures
		Low	Medium	High	
	Overall rating (%)	65	35	0	1. PCs that run outdated Windows should be replaced. 2. Enhanced protection should be adopted for sensitive data.

- (9) Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control system; describe areas of weakness and any corrective actions taken (in the most recent year up until the publication date of annual report): None.

(10) Execution of internal control system:

Declaration of Internal Control System:

Hung Chou Fiber Industrial Co., Ltd.

Declaration of Internal Control System

Date: March 2, 2023

The following declaration was made based on the 2022 self-assessment of the Company's internal control system:

1. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the board of directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security etc.), reliable, timely, and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2022. This system (including supervision and management of subsidiaries) has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously without objection by all 9 directors present at the board meeting dated March 2, 2023.

Hung Chou Fiber Industrial Co., Ltd.

Chairman: Cheng-Tien Chan (signature/seal)

General Manager: G.L. Lin (signature/seal)

Where the FSC requires the Company’s internal control policies to be reviewed by a CPA, the CPA review report must be disclosed:

Not applicable

(11) Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control system in the most recent year up until the publication date of annual report; describe areas of weakness and any corrective actions taken: None.

(12) Major resolutions passed in shareholder meetings and board of directors meetings held in the last year up until the publication date of annual report.

Date	Major resolutions	Execution progress
Shareholder meeting		
June 29, 2022	<ol style="list-style-type: none"> <li>1. Acknowledgment of the 2021 business report and financial statements.</li> <li>2. Acknowledgment of the 2021 deficit compensation proposal.</li> <li>3. Discussion on amendments to the Company’s “Articles of Incorporation.”</li> </ol>	<ol style="list-style-type: none"> <li>1. Acknowledged by shareholders during shareholder meeting Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,485,970 votes (including 586,945 electronic votes) were in favor of the motion, 17,410 votes (including 17,410 electronic votes) were against the motion, and 395,325 votes (or 395,235 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</li> <li>2. Acknowledged by shareholders during shareholder meeting Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,457,960 votes (including 558,935 electronic votes) were in favor of the motion, 45,420 votes (including 45,420 electronic votes) were against the motion, and 395,325 votes (or 395,235 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</li> <li>3. Discussed and approved by shareholders during shareholder meeting Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,487,955 votes (including 588,930 electronic votes) were in favor of the</li> </ol>

Date	Major resolutions	Execution progress
	<p>4. Amendments to “Asset Acquisition and Disposal Procedures”</p> <p>5. Amendments to “External Party Lending Procedures”</p> <p>6. Amendments to “Endorsement and Guarantee Procedures”</p> <p>7. Amendments to “Director and Supervisor Election Policy”</p>	<p>motion, 15,418 votes (including 15,418 electronic votes) were against the motion, and 395,332 votes (or 395,242 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</p> <p>4. Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,485,955 votes (including 586,930 electronic votes) were in favor of the motion, 17,418 votes (including 17,418 electronic votes) were against the motion, and 395,332 votes (or 395,242 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</p> <p>5. Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,452,955 votes (including 553,930 electronic votes) were in favor of the motion, 50,418 votes (including 50,418 electronic votes) were against the motion, and 395,332 votes (or 395,242 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</p> <p>6. Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,457,955 votes (including 558,930 electronic votes) were in favor of the motion, 45,418 votes (including 45,418 electronic votes) were against the motion, and 395,332 votes (or 395,242 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</p> <p>7. Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,457,955 votes (including 558,930 electronic votes) were in favor of the motion, 45,418 votes (including 45,418 electronic votes) were against the motion, and 395,332 votes (or 395,242 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</p>



Date	Major resolutions	Execution progress																								
	<p>8. Removal of non-compete restrictions for new directors and representatives</p> <p>9. Total re-election of directors</p>	<p>8. Vote outcome: Out of the 78,898,705 votes represented by shareholders at the meeting (including 999,590 votes exercised through electronic means), 78,463,867 votes (including 564,842 electronic votes) were in favor of the motion, 37,406 votes (including 37,406 electronic votes) were against the motion, and 397,432 votes (or 397,342 electronic votes) were abstained. The number of votes in favor exceeded the legal requirements, and the motion was passed as proposed.</p> <p>9. Election outcome</p> <table border="1" data-bbox="815 647 1469 1576"> <thead> <tr> <th data-bbox="815 647 1217 689">Name</th> <th data-bbox="1217 647 1469 689">Votes received</th> </tr> </thead> <tbody> <tr> <td data-bbox="815 689 1217 734">Cheng-Tien Chan</td> <td data-bbox="1217 689 1469 734">108,731,181</td> </tr> <tr> <td data-bbox="815 734 1217 846">Yi Jinn Industrial Co., Ltd. Representative: Yu-Ching Cheng</td> <td data-bbox="1217 734 1469 846">74,813,327</td> </tr> <tr> <td data-bbox="815 846 1217 958">Yi Jinn Industrial Co., Ltd. Representative: Yi-Ching Chan</td> <td data-bbox="1217 846 1469 958">74,824,326</td> </tr> <tr> <td data-bbox="815 958 1217 1032">Yi Jinn Industrial Co., Ltd. Representative: G.L. Lin</td> <td data-bbox="1217 958 1469 1032">76,813,326</td> </tr> <tr> <td data-bbox="815 1032 1217 1144">Yi Jinn Industrial Co., Ltd. Representative: Heng-Chia Chang</td> <td data-bbox="1217 1032 1469 1144">74,813,326</td> </tr> <tr> <td data-bbox="815 1144 1217 1256">Yi Jinn Industrial Co., Ltd. Representative: Tse-Hua Lin</td> <td data-bbox="1217 1144 1469 1256">74,813,744</td> </tr> <tr> <td data-bbox="815 1256 1217 1406">ReBowa International Leasing Corporation Representative: Kuan-Ru Chen</td> <td data-bbox="1217 1256 1469 1406">74,913,337</td> </tr> <tr> <td data-bbox="815 1406 1217 1451">Lin-Te Chen</td> <td data-bbox="1217 1406 1469 1451">74,820,049</td> </tr> <tr> <td data-bbox="815 1451 1217 1496">Shou-Po Chao</td> <td data-bbox="1217 1451 1469 1496">78,419,742</td> </tr> <tr> <td data-bbox="815 1496 1217 1541">Wei-Chi Huang</td> <td data-bbox="1217 1496 1469 1541">74,846,697</td> </tr> <tr> <td data-bbox="815 1541 1217 1576">Hsien-Chang Kuo</td> <td data-bbox="1217 1541 1469 1576">74,860,709</td> </tr> </tbody> </table>	Name	Votes received	Cheng-Tien Chan	108,731,181	Yi Jinn Industrial Co., Ltd. Representative: Yu-Ching Cheng	74,813,327	Yi Jinn Industrial Co., Ltd. Representative: Yi-Ching Chan	74,824,326	Yi Jinn Industrial Co., Ltd. Representative: G.L. Lin	76,813,326	Yi Jinn Industrial Co., Ltd. Representative: Heng-Chia Chang	74,813,326	Yi Jinn Industrial Co., Ltd. Representative: Tse-Hua Lin	74,813,744	ReBowa International Leasing Corporation Representative: Kuan-Ru Chen	74,913,337	Lin-Te Chen	74,820,049	Shou-Po Chao	78,419,742	Wei-Chi Huang	74,846,697	Hsien-Chang Kuo	74,860,709
Name	Votes received																									
Cheng-Tien Chan	108,731,181																									
Yi Jinn Industrial Co., Ltd. Representative: Yu-Ching Cheng	74,813,327																									
Yi Jinn Industrial Co., Ltd. Representative: Yi-Ching Chan	74,824,326																									
Yi Jinn Industrial Co., Ltd. Representative: G.L. Lin	76,813,326																									
Yi Jinn Industrial Co., Ltd. Representative: Heng-Chia Chang	74,813,326																									
Yi Jinn Industrial Co., Ltd. Representative: Tse-Hua Lin	74,813,744																									
ReBowa International Leasing Corporation Representative: Kuan-Ru Chen	74,913,337																									
Lin-Te Chen	74,820,049																									
Shou-Po Chao	78,419,742																									
Wei-Chi Huang	74,846,697																									
Hsien-Chang Kuo	74,860,709																									
Board of directors																										
May 5, 2022	<p>1. Report on the execution of internal audits for the first quarter of 2022.</p> <p>2. Report on the outcomes of the Company's 2021 corporate governance evaluation.</p> <p>3. Discussion on the planning and scheduling of greenhouse gas surveys and validations</p> <p>4. Discussion on the financial statements and auditor's review report for the first quarter of 2021.</p> <p>5. Discussion, nomination, and review of director (including independent</p>																									

Date	Major resolutions	Execution progress
	director) candidates 6. Discussion on the removal of non-compete restrictions for new directors 8. Discussion on the renewal of credit facilities with banks.	
June 29, 2022	1. Election of Chairman	
August 3, 2022	1. Report on the execution of internal audits for the second quarter of 2022. 2. Presentation of ESG report and report on the execution of corporate governance. 3. Report on the execution of greenhouse gas survey 4. Discussion on the financial statements and auditor's review report for the first half of 2022. 5. Discussion on the eligibility of members for the 5th "Remuneration Committee"	
November 3, 2022	1. Report on the execution of internal audits for the third quarter of 2022. 2. Report on the execution of greenhouse gas survey 3. Discussion on the financial statements and auditor's review report for the third quarter of 2022. 4. Discussion on the proposal to treat certain prepaid purchases that are overdue for more than three months as non-lending transactions for the third quarter of 2022 5. Discussion of directors' and managers' compensation proposed during the 1st meeting of the 5th Remuneration Committee 6. Discussion on the Company's "2023 Internal Audit Plan." 7. Discussion of amendments to Section 14 - "Material Insider Information Handling Procedures," Chapter 8 of the Company's Internal Control System 8. Discussion on the establishment of "Risk Management Code of Conduct" and "Risk Management Code of Conduct" 9. Discussion on the renewal of credit facilities with banks.	
December 12, 2022	1. Discuss the operational procedures for preventing insider trading in "Chapter 8, Section 15 of the revised internal control system of our company." 2. Discuss the general principles for developing the policy of pre-approval of non-assurance services in our company. 3. Discuss the independence, suitability, and public expense review of the company's appointed certified public accountants.	
March 2, 2023	1. Report on the actual implementation of internal auditing for the fourth quarter of 2023. 2. Report on the execution of the greenhouse gas inventory program 3. Report on the performance evaluation results of the board of directors of our	

Date	Major resolutions	Execution progress
	<p>company for 2023 and request it to be filed.</p> <p>4.Submit the minutes of the second meeting of the fifth compensation committee of our company for review.</p> <p>5.Report on the promotion of insider trading prevention, business integrity and ethics code, and compliance with laws and regulations for 2023</p> <p>6.Discuss the draft of the 2022 annual business report, financial statements, and auditor's report</p> <p>7.Discuss the profit and loss allocation plan for2023.</p> <p>8.Discuss the proposal to elect an additional independent director for our company.</p> <p>9.Discuss the matters related to convening the 2023 annual general meeting of shareholders in our company.</p> <p>10.Discuss the establishment of the procedures for accepting shareholder proposals and nominating independent director candidates</p> <p>11.Discuss the appointment of a deputy general manager.</p> <p>12.Agree on the contents of the internal control statement for the fiscal year 2022</p>	

- (13) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up until the publication date of annual report: None.
- (14) Resignation or dismissal of personnel relevant to financial statement preparation (including the Chairman, President, head of accounting, head of finance, chief internal auditor, and head of R&D) in the most recent year up until the publication date of annual report: None

#### 4. Disclosure of CPAs' remuneration

Unit: NTD thousands

Name of accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fee	Total	Remarks
KPMG	Shu-Ying Chang	January 1, 2019 - now	1,130	120	1,450	
	Shih-Chin Chi	January 1, 2019 - February 28, 2022				
	Chun-Ming Pan	March 1, 2022 - now				

Scope of non-audit service: (such as tax certification, assurance, or other financial consultancy service)

Note: If there is any change of auditor or accounting firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field. Any audit and non-audit fees paid to auditors should also be disclosed separately. Provide detailed explanations to non-audit service.

1. Any replacement of accounting firm and reduction in audit fee paid compared with the previous year: None.
2. Any reduction in audit fee by more than 15% compared to the previous year: None.

#### 5. Change of CPA: Not applicable

6. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company within the most recent year: None.

7. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year, up until the publication date of annual report: (unit: thousand shares)

Position	Name	Change of shareholding in 2022		Current year up until March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	Yi Jinn Industrial Co., Ltd.	0	0	0	0
Director	Cheng-Tien Chan	0	0	0	0
Independent director	Shou-Po Chao	0	0	0	0
Independent director	Wei-Chi Huang	0	0	0	0
Independent director	Hsien-Chang Kuo				
Director	Te-Feng Chan	0	0	0	0
*Director	Yu-Ching Cheng	0	0	0	0

Position	Name	Change of shareholding in 2022		Current year up until March 31	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
*Director	Yi-Ching Chan	0	0	0	0
*Director	G.L. Lin	0	0	0	0
*Director	Heng-Chia Chang	0	0	0	0
*Director	Tse-Hua Lin	0	0	0	0
Supervisors	Lin-Te Chen	0	0	0	0
Supervisors	Bowa International Leasing Corporation	0	0	0	0
	Kuan-Ru Chen	0	0	0	0
General Manager	G.L. Lin	0	0	0	0
Manager of Finance and Accounting	Sheng-Chin Lin	0	0	0	0

Pledge of shareholding: Not applicable

\*: The parties are representatives of corporate director (Yi Jinn Industrial Co., Ltd.)

8. Disclosure of relationships, as defined under Statement of Financial Accounting Standard No.6 - Related parties, among the top ten shareholders

Relationships among top-10 shareholders

Name (Note 1)	Self Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Names and relationships of top-10 shareholders characterized as spouse or relative of second degree or closer (Note 3)		Remarks
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %	Name	Relationship	
Yi Jinn Industrial Co., Ltd. Representative: Cheng-Tien Chan	36,601,000	27.7%	-	-	-	-	Yi Tong Fiber Co., Ltd.	Common Chairman	
	5,532,037	4.19%	-	-	-	-	Kwang Ming Silk Mill Co., Ltd.	Common Chairman	
Yi Tong Fiber Co., Ltd. Representative: Cheng-Tien Chan	10,000,000	7.57%	-	-	-	-	Yi Jinn Industrial Co., Ltd. Kwang Ming Silk Mill Co., Ltd.	Common Chairman Common Chairman	
Kwang Ming Silk Mill Co., Ltd. Representative: Cheng-Tien Chan	7,000,000	5.30%	-	-	-	-	Yi Jinn Industrial Co., Ltd. Yi Tong Fiber Co., Ltd.	Common Chairman Common Chairman	
Cheng-Tien Chan	5,532,037	4.19%	-	-	-	-	Yi Jinn Industrial Co., Ltd. Yi Tong Fiber Co., Ltd. Kwang Ming Silk Mill Co., Ltd.	The party serves as Chairman in the three companies above	
Yu-Chin Chen	2,612,724	1.98%	-	-	-	-	Shu-Yun Chen	Sibling	
Hsiang-Chun Chen	2,500,000	1.89%	-	-	-	-	Yan-Jun Chen	Sisters	
Te-Feng Chan	2,061,383	1.56%	266,202	0.20%	-	-	-	-	
Fu Hsun Fiber Industries Co., Ltd. Representative: Yu-Chin Chen	2,000,000	1.51%	-	-	-	-	Shu-Yun Chen	Sibling	
Yan-Jun Chen	1,500,000	1.14%	-	-	-	-	Hsiang-Chun Chen	Sisters	
Shu-Yun Chen	1,358,818	1.03%	-	-	-	-	Yu-Chin Chen	Sibling	

Note 1: Shareholders' names are presented separately (for corporate shareholders, the name of the corporate shareholder and its representative are presented separately)

Note 2: Percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

Note 3: Relations among the above mentioned shareholders (including corporate and natural-person shareholders) have been disclosed in accordance with the relationships defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

9. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties: Not applicable.

## Four. Capital and shares

### (1) Source of capital:

Year/month	Share Face value per share	Authorized capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Proceeds paid with property other than	Others
85 06	10	230,000,000	2,300,000,000	202,176,108	2,021,761,080	Note 1	None	
85 06	10	230,000,000	2,300,000,000	229,176,108	2,291,761,080	Note 2	None	
86 07	10	350,000,000	3,500,000,000	262,634,913	2,626,349,130	Note 3	None	
87 09	10	350,000,000	3,500,000,000	283,645,706	2,836,457,060	Note 4	None	
98 09	10	350,000,000	3,500,000,000	170,187,424	1,701,874,240	Note 5	None	
103 09	10	350,000,000	3,500,000,000	102,112,454	1,021,124,540	Note 6	None	
104 06	10	350,000,000	3,500,000,000	132,112,454	1,321,124,540	Note 7	None	

Note 1: Capitalized NT\$175,805,300 of unappropriated earnings and NT\$87,902,660 of capital reserve under the approval of Correspondence No. (85)-Tai-Tsai-Cheng-(I)-37506 dated June 13, 1996.

Note 2: Made cash issue of NT\$270,000,000 under the approval of Correspondence No. (85)-Tai-Tsai-Cheng-(I)-57173 dated October 1, 1996.

Note 3: Made cash issue of NT\$220,000,000 and capitalized NT\$114,588,050 of capital reserve under the approval of Correspondence No. (86)-Tai-Tsai-Cheng-(I)-51027 dated July 8, 1997.

Note 4: Capitalized NT\$105,053,965 of unappropriated earnings and NT\$105,053,965 of capital reserve under the approval of Correspondence No. (87)-Tai-Tsai-Cheng-(I)-79811 dated September 24, 1998.

Note 5: Reduced capital by NT\$1,134,582,820 under the approval of Correspondence No. Jin-Guan-Zheng-Fa-0980044371 dated September 10, 2009.

Note 6: Reduced capital by NT\$680,749,700 under the approval of Correspondence No. Jin-Guan-Zheng-Fa-1030034274 dated September 12, 2014.

Note 7: Completed a private cash issue of NT\$300,000,000 on June 17, 2015

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common share	132,112,454	0	132,112,454	Public-listed shares*

\*Includes 30 million shares issued through private placement

Information relevant to the aggregate reporting policy: Not applicable

## (2) Shareholder structure

April 1, 2023

Shareholder structure Count	Government institutions	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Count	1	0	37	19,675	14	19,727
No. of shares held	4,265	0	59,429,675	72,315,055	363,459	132,112,454
Shareholding percentage	0.00	0.00	44.98	54.74	0.28	100.00

Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Mainland investors' holding interests. A Mainland investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

## (3) Diversity of ownership

April 1, 2023

Shareholding range	Shareholder count	No. of shares held	Shareholding percentage
1 to 999	15,115	2,932,071	2.22
1,000 to 5,000	3,414	7,229,682	5.47
5,001 to 10,000	537	4,318,566	3.27
10,001 to 15,000	155	1,958,264	1.48
15,001 to 20,000	127	2,371,592	1.80
20,001 to 30,000	93	2,420,149	1.83
30,001 to 40,000	61	2,178,507	1.65
40,001 to 50,000	29	1,344,379	1.02
50,001 to 100,000	87	6,054,222	4.58
100,001 to 200,000	45	6,066,970	4.59
200,001 to 400,000	34	9,873,363	7.47
400,001 to 600,000	10	4,788,709	3.63
600,001 to 800,000	3	2,050,041	1.55
800,001 to 1,000,000	2	1,759,516	1.33
1,000,001 and above - Range to be determined as deemed appropriate	15	76,766,423	58.11
Total	19,727	132,112,454	100.00



## (4) List of major shareholders

May 1, 2022

Name of major shareholder	Share	No. of shares held	Shareholding percentage (%)
Yi Jinn Industrial Co., Ltd.		36,601,000	27.70
Yi Tong Fiber Co., Ltd.		10,000,000	7.57
Kwang Ming Silk Mill Co., Ltd.		7,000,000	5.30
Cheng-Tien Chan		5,532,037	4.19
Yu-Chin Chen		2,762,724	1.98
Hsiang-Chun Chen		2,500,000	1.89
Te-Feng Chan		2,061,383	1.56
Fu Hsun Fiber Industries Co., Ltd.		2,000,000	1.51
Yan-Jun Chen		1,500,000	1.41
Shu-Yun Chen		1,384,818	1.03

## (5) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Item	Year		2021	2022	2023 up until March 31 (Note 8)
Per-share market share (Note 1)	High		14.80	12.25	9.90
	Low		7.72	9.05	9.25
	Average		11.26	10.65	9.57
Net worth per share (Note 2)	Before distribution		8.68	9.29	
	After distribution		8.68	9.29	-
Earnings per share (EPS)	Weighted average outstanding shares		1,321,124	1,321,124	1,321,124
	EPS (Note 3)		0.80	0.75	
Dividends per share	Cash dividends		-	-	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative undistributed dividends (Note 4)		-	-	-
Analysis of investment returns	P/E ratio (Note 5)		-	-	-
	Price to dividends ratio (Note 6)		-	-	-
	Cash dividend yield (Note 7)		-	-	-

\* Where stock dividends were paid from earnings or capital reserves, market price and cash dividends per share are adjusted retrospectively for the number of new shares issued.

- Note 1: The chart shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.
- Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's shareholders meeting is presented in the table.
- Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.
- Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.
- Note 5: P/E ratio = average closing price per share for the year / earnings per share.
- Note 6: Price to dividends ratio = average closing price per share for the year / cash dividends per share.
- Note 7: Cash dividend yield = cash dividends per share / average closing price per share for the current year.
- Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of annual report. For all other fields, calculations are based on data as at the end of their respective years.

(6) Dividend policy and execution

Dividend policy:

Any current net income concluded at year-end closing shall first be taken to offset cumulative losses (including adjustment of unappropriated earnings), followed by a 10% provision for legal reserve unless the legal reserve has accumulated to an amount equal to paid-up capital.. The remaining balance of net income is then subject to provision or reversal of special reserve pursuant to laws or the authority's instructions. Part of the earnings may be retained, and the remaining balance can be added to cumulative unappropriated earnings carried from the previous year (including adjustment of unappropriated earnings), which the board of directors may propose to distribute in the form of dividends for shareholders' resolution.

Any cash distribution of the above dividend, profit, legal reserve, or capital reserve, whether in whole or in part, may be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic/foreign competition, and shareholders' interests. No less than 10% of distributable earnings from the above shall be paid as dividend each year. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 10% of total dividends.

- (7) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

- (8) Employee profit sharing and remuneration to directors and supervisors:

1. Percentage of employee profit sharing and director/supervisor remuneration stated in the Articles of Incorporation:  
Profits concluded in a year (refers to profit before tax, employee remuneration, and director/supervisor remuneration) are subject to employee remuneration of 2% and director/supervisory remuneration of no more than 2%. However, profits must first be reserved to offset against cumulative losses (including adjustment of unappropriated earnings) if any.  
Employee remuneration in the preceding paragraph can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria set forth by the board of directors. The director/supervisor remuneration mentioned in the preceding paragraph may be paid in cash only.  
The two decisions above shall be resolved by the board of directors and reported during the next shareholder meeting.
2. Basis of calculation for employee/director/supervisor remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:  
The Company estimates the amounts of employee/director/supervisor remuneration according to Article 27 of the Articles of Incorporation. Due to presence of cumulative losses, no remuneration was allocated for 2021.
3. Employee profit sharing proposed and resolved by the board of directors: Not applicable.
4. Allocation of previous year's earnings for employee profit sharing and director/supervisor remuneration: Not applicable.

(9) Shares repurchased by the Company: Not applicable.

Five. Disclosure relating to corporate bonds: None.

Six. Preferred shares, overseas depository receipts, employee warrants, mergers, and acquisitions:

- (1) Disclosure relating to preferred shares: None.
- (2) Disclosure relating to global depository receipts: None.
- (3) Disclosure relating to employee warrants: None.
- (4) Merger and acquisition: None.

Seven. Mandatory disclosures on planned use of capital: Not applicable

## **Eight. Operational overview**

### **1. Business activities:**

#### **(1) Business activities:**

##### **1. Principal business activities:**

1. C801120 Manufacture of Man-made Fibers.
2. C805990 Other Plastic Products Manufacturing.
3. C802100 Cosmetics Manufacturing.
4. C802990 Other Chemical Products Manufacturing.
5. F401010 International Trade.
6. JE01010 Rental and Leasing.
7. F301010 Department Stores.
8. F301020 Supermarkets.
9. E801010 Indoor Decoration.
10. I503010 Landscape and Interior Designing.
11. C302010 Weaving of Textiles.
12. C301010 Spinning of Yarn.
13. C306010 Wearing Apparel.
14. C305010 Printing, Dyeing, and Finishing.
15. H701010 Housing and Building Development and Rental.
16. H701020 Industrial Factory Development and Rental.
17. H701040 Specific Area Development.
18. H701050 Investment, Development and Construction in Public Construction.
19. H703090 Real Estate Business.
20. H703100 Real Estate Leasing.
21. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
22. F108031 Wholesale of Medical Devices
23. F208031 Retail Sale of Medical Apparatus
24. C303010 Manufacture of Non-woven Fabrics

##### **2. Principal business activities and weight**

The Company engages in the manufacturing and sale of polyester chips and polyester filaments, which accounts for 100% of revenues.

##### **3. Current products of the Company: polyester filaments and polyester chips.**

##### **4. New products planned for the future**

Yarn category	Ingredient	Purpose	Characteristics
37.5 Technology fibers	Volcanic rock (activated carbon)	Professional sports garment and leisure garment	Absorbs moisture from the human body through electrostatics, and uses the infrared energy emitted from human body to heat up moisture for faster evaporation. The technology helps dry the body surface and stores energy in a manner that keeps the body warm.
Environment-friendly yarn	Made from recycled polyester fibers, the product sets good example of how synthetic fibers can be recycled and reused.	For various garments and used as industrial fabrics	Reused as resources
Graphene fiber	The Company will source polyester chips mixed with appropriate contents of graphene to produce yarns.	Smart garments and wearable devices	Anti-static: The conductivity of graphene helps lower surface resistivity in fabrics. The substance also lubricates surface and reduces coefficient of friction to inhibit and minimize electric currents that may cause itchiness of the skin. Good thermal conductivity: Graphene-based textile products serve as a regulator between the human body and the external environment, which helps keep the wearer at an ideal temperature.
BioPro (biodegradable fiber)	By infusing polyester chips with BioSphere Additive during the yarn production process, a new spinning solution is created, which can be made into hydrophilic polyester fibers	Environment-friendly fiber. Can be made into garment, headwear, backpack, and footwear.	Both the surface and internal structure of polyester fiber are biodegradable. Uses microbial enzymes to break down the C-C chain in fibers, turning PET into more simple structures that can be further broken down by bacteria. By increasing hydrophilicity, biodegradability of polyester fibers is enhanced.

## (2) Industry overview

### 1. Current and future industry prospects:

The price of textile materials is largely determined by the international price of oil. Besides oil price, demand for polyester products in the downstream would also affect the price of raw materials in the upstream.

In 2022, the textile and apparel industry was impacted by inflation and rising interest rates, resulting in weakened consumer demand and slower-than-expected inventory clearance for some clothing brands. The supply chain shifted from long-term orders to urgent short-term orders, leading to a slowdown in order momentum. The operations of upstream, midstream, and downstream companies in the domestic textile industry were all affected. In addition, the rising prices of domestic raw materials, along with potential increases in electricity and water prices and slowing inflation, have further reduced customers' willingness to place orders. Externally, there is competition from the normalization of production in Mainland China and the rise of the industry chain in Vietnam. In the next year, the domestic chemical fiber industry will undoubtedly face a new wave of challenges, and the business environment will become even more challenging.

After a series of difficult transformations, Taiwanese textile manufacturers have successfully transitioned into making better quality and highly differentiated products. Owing to the public's increasing awareness toward exercise, consumers now place more attention on the capabilities of functional fabrics than ever before. Today, Taiwanese manufacturers make up a significant part of the functional fabrics value chain for world-renowned garment brands, offering solutions with useful features from wind-breaking, breathability, water resistance, quick drying, anti-pilling to elastic fit. Taiwanese textile manufacturers also have the advantage to cooperate with local high-tech manufacturers for the introduction of wearable electronics and smart garments. Taiwan currently supplies 70% of the functional fabrics demanded by world-renowned brands. Many of the world's top outdoor and sports garment brands have long been targeted as potential customers for Taiwan's textile industry; reputable brands such as Nike, Under Armour, and Adidas all have their products made by Taiwanese manufacturers, thereby making Taiwan a major supplier of synthetic fibers in the world. Functional and high-quality fabrics is an area that Taiwan is especially competitive at. environmentally friendly fabrics is another new trend that is quickly gathering attention, as Europe's fashion industry now places great emphasis on environmental protection. In the future, manufacturers will be required to meet environmental protection standards from raw materials sourcing to the final

production, and Taiwanese firms are actively seeking environmental certification from international institutions in an attempt to differentiate from Chinese counterparts.

Taiwan has made prominent progress in the development of functional fabric materials with a variety of features, such as: functional yarns with antibacterial, anti-odor, fire resistance, UV protection, environmental protection, elasticity, and thermal insulation features; 3D printed fabrics with quick drying, ductility, smudge free, and color retention features; bamboo charcoal fiber with anti-odor, moisture absorption, and anti-fungal features; and environmentally friendly yarn made from recycled PET bottles. These successes have made Taiwanese manufacturers the preferred partners for world's reputable sports brands.

[Source: <https://ic.tpex.org.tw/>]

2. Association between upstream, midstream, and downstream industry participants:

Taiwan's textile industry began with the processing and export of imported materials. As the local petrochemical industry emerged, textile manufacturers transitioned into the production of synthetic fibers, and with the addition of imported natural fibers such as cotton and wool, a comprehensive production system incorporating upstream, midstream, and downstream participants from synthetic fiber, yarn, weaving, dyeing, garment to accessories was eventually formed. Taiwan's textile industry started in the 1950s, and for more than 60 years, industry participants have consistently introduced new products and renewed equipment to meet increasing demands of the global market. Today, textile has the most comprehensive production system of all industries in Taiwan, and is one of the major sources of raw material to the world's functional fabrics market.

The COVID-19 pandemic has impacted global garment consumption in such a way that forced garment brands to adopt "centralized one-stop purchasing" at a faster rate. Domestic textile manufacturers are generally in favor of this trend, as the practice helps stabilize quality, facilitate faster response, and promote coordination between suppliers in the upstream and downstream.

Standardized textile products aimed at the mass market are no longer competitive in the global market. After the pandemic, garment brands have changed their procurement focus toward making customized, specialized, and integrated purchases. In response, medium and large textile manufacturers in Taiwan have been taking the initiative to transform and adjust to the new norm in recent years.

The Company currently produces polyester chips, polyester filaments, and yarns. For polyester chips, raw materials such as PTA and EG are sourced from Oriental Petrochemical and Oriental Union, and most of the polyester chips produced are supplied to the Company's own factories for the production of polyester filaments, except for the few that are sold externally. Most of the products sold externally are used by domestic false twisting plants.

### 3. Product trend and competition

USA, Japan, and more recently Korea and Taiwan, used to dominate in the production of polyester fibers, but have now been replaced by Mainland China. Today, the textile industry grows only in Mainland China, India, and a handful of Asian countries, and declines in the rest of the world. However, like all other materials, synthetic fibers are progressing toward higher added value, and manufacturers are starting to compete in the ability to make more diverse range of functional products. One of the most distinctive advantages of synthetic fiber is its greater potential for new functions compared to natural fibers. The development of differentiated, multi-purpose, and highly functional fibers has opened up significantly broader opportunities for synthetic fibers.

Despite the rapid expansion of production capacity in Mainland China, demand for synthetic fibers still far exceeds supply. Coupled with the high cost of raw materials, downstream manufacturers generally find themselves losing profit margin. Given the current circumstances, synthetic fiber manufacturers should avoid competing in the low-price tier against counterparts from Mainland China, and should instead focus on exploring differentiation and technology in the products offered.

The COVID-19 pandemic will inevitably invoke introspection among consumers worldwide and change their lifestyles and purchasing behaviors, increasing demand for textile products that offer health, antibacterial, and protection features. Taiwanese textile manufacturers can make the best use of the idle capacity caused by the pandemic by investing into the development of textile products that offer health and protection features. In doing so, they not only produce supplies to support disease control efforts, but also prepare themselves for opportunities in the post-pandemic era.

#### (3) Technology and R&D overview:

1. Development of biodegradable, environmentally friendly fiber.
2. Development of graphene-based antibacterial fiber.

#### (4) Long and short-term business plans

1. Short-term plans



Increase product diversity and quality in line with consumers' demand; improve production procedures and modify machinery to avoid competition with low-price offerings from Mainland China while at the same time enhance competitiveness of the Company's products.

2. Long-term plans

In response to sustainable development, the Company is committed to promoting green production, energy conservation and emission reduction, increasing the proportion of green products, and developing a circular economy., the Company will redirect its R&D focus toward functional fibers with antibacterial properties.

2. Market, production, and sales overview:

(1) Market analysis:

1. Locations where products are mainly sold:

Unit: NTD thousands

	2021		2022	
	Amount	Percentage	Amount	Percentage
Taiwan	2,540,356	85.67%	2,759,135	87.70%
Asia	424,970	14.33%	386,798	12.30%
Total	2,965,326	100.00%	3,145,933	100.00%

2. Market share and future supply, demand, and growth:

(1). Market share:

Given the production capacity of the polyester filament factory, the Company occupied approximately 8% of the domestic market in 2021, ranking 5th among peers. (Source: Taiwan Man-Made Fiber Industries Association)

(2). Future market supply, demand, and growth

Taiwan continues to be a major producer of synthetic fibers, and its production capacity for polyester fibers currently ranks third worldwide. Synthetic fiber manufacturing is considered the upstream of the textile industry, and has been the pillar of Taiwan's textile industry. Following the introduction of COVID vaccines in 2021, customers have restored confidence in the consumer market and began placing production orders that were long deferred; as a result, production activities recovered throughout the textile industry from the upstream to the downstream. However, it is worth noting that international brands have actively downsized the supply chain in recent years, and the pandemic only hastened this change. Given the prevailing uncertainties, customers will place greater emphasis on suppliers' ability to produce with higher

flexibility and diversity while meeting tight deadlines.

The pandemic also presented businesses with the opportunity to make structural adjustments, and those that quickly transitioned into producing disease control supplies were able to make up for the lost sales at the height of the pandemic. After going through COVID-19, manufacturers will forgo production of low-margin products and take greater initiative at exploring new opportunities and new customers in high value-adding products.

Furthermore, garment brands have been increasingly demanding about “corporate social responsibilities,” and are starting to scrutinize suppliers for issues concerning human rights, safety, and sustainability. In addition to worker rights protection, sustainable technologies for biodegradability, ease of recycling, and biomass materials are areas that businesses must invest persistently in the future to support operating strategies and storytelling of their brand customers.

For this reason, the Company will continue building on top of its current foundation and distribution channels by making adjustments to the product portfolio, and shifting focus toward the development of functional yarns and products made with recycled materials to capitalize on potential opportunities.

3. Competitive advantages, opportunities, threats, and response strategies:

(1) Competitive advantage:

A. Taiwan has had extensive experience making synthetic fibers, and polyester fiber is the category that Taiwan produces in the largest quantity and the best quality. After meeting domestic demands, Taiwan began exporting synthetic fibers to areas including Mainland China, Southeast Asia, and The Middle East. The demand for high-quality and differentiated synthetic fibers in emerging nations has provided Taiwanese manufacturers with an early entry advantage.

B. There is high success rate associated with the research and development of polyester fibers, and the success of Taiwanese manufacturers in product differentiation over the last few years have given industry participants the confidence to invest into the research of high-tech textile. Today, Taiwanese manufacturers command excellent competitive advantage not only in terms of product and technology research, but also in their ability to materialize technical know-how into a diverse product range that can be produced in large quantities.

(2) Competitive disadvantage:

A. Taiwan has small domestic demand and most yarn manufacturers

supply only to the domestic market, which limits long-term growth potentials.

- B. Aside from Mainland China, Southeast Asian countries such as Vietnam, Indonesia, Thailand, and Malaysia have also emerged as prominent textile manufacturers with their abundant supply of low-cost labor, and the massive inflow of foreign capital has helped Southeast Asian countries develop the production capacity and technology needed to compete. The ongoing trade dispute between China and USA provides even more incentives for textile manufacturers to invest into Vietnam, thereby allowing the country to form its own industry chain that threatens synthetic fiber manufacturers in Taiwan.

(3) Response strategies:

- A. The Company has obtained certification for Global Recycle Standard (GRS) in response to customers' demand for environmentally friendly textile. This certification serves as proof that the Company's production procedures conform with environmental, health, and safety requirements, and is capable of producing textile products with environmental protection claims. Furthermore, the Company will purchase dyed polyester chips for the production and development of color yarns, thereby bringing diversity and colors into the yarn lineup. The Company will be working with BioSphere to develop a new type of sustainable fiber called "BioPro" to enrich the existing product line and meet the requirements of environmental regulations as well as customers' needs. More emphasis will be directed toward promoting products that offer distinctive advantages and diverse uses to appeal to a broader number of customers. This increased diversity will lessen the effect of seasonality and ultimately improve profitability.
- B. Given the current trends of the industry, the Company will examine and adjust its existing product lines, and transition into a production model characterized by lower volume and broader diversity while at the same time invest into the development of differentiated products for improved competitive advantage. By obtaining certification for the production of synthetic fibers using 37.5 Technology, the Company aims to collaborate and be part of the supply chain for world's reputable garment brands as a way to increase product margin.
- C. The Company aims to establish presence in locations where international FTAs have been signed, and will invest actively into the development of top R&D talents for improved product competitiveness.

(2) Main product applications and production processes:

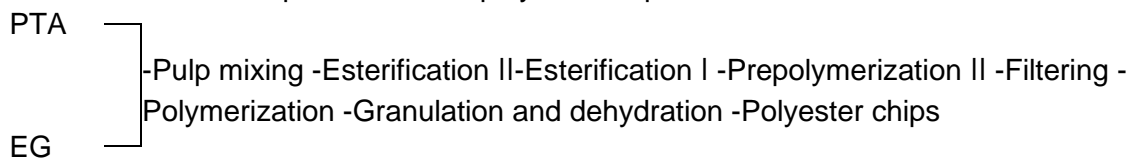
- 1. Main product applications:

The polyester chips produced by the Company are semi-finished goods; most of which are supplied to the Company's own factories for the production of partially oriented yarn (POY) while a small portion is sold externally. Part of the POYs are sold to false twisting plants in the downstream whereas fully drawn yarns (FDYs), a newly developed product line, is entirely sold to external parties. Internal and external sales of all products are adjusted dynamically depending on the market price.

Polyester fibers produced by the Company can be made into plain weave fabrics for trousers, clothes, and industrial uses. The material can also be made into knitted fabrics for male/female garments, casual/sports outfit, and industrial supplies. Other potential uses include: antibacterial Cu ion fiber, dyeable graphene fiber, the BioPro series, 37.5 Technology fiber, environmentally friendly fiber, sports/outdoor garment, protective gear, medical consumables, personal hygiene supply, and filters.

## 2. Production process

### A. Production procedures for polyester chips



### B. Production procedures for POYs (Note)

Polyester chips -Drying of polyester chip -Dissolve and stamping -Yarn spinning  
 -Processing oil -Rolling -Testing -Packaging

Note: FDYs are produced simply by adding a heat extrusion step to the rolling process.

### (3) Supply of main materials:

Pure terephthalic acid (PTA) and ethylene glycol (EG) are the main materials used for making the above products. The Company sources PTA from Oriental Petrochemical (Taiwan) Co., Ltd., and EG from Oriental Union Chemical Corporation.

(4) Name of suppliers (customers) representing more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of purchase (sale):

Main suppliers in the last two years

Unit: NTD thousands

Item	2021				2022				2023 up until the previous quarter (Note 2)			
	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases (%) in the previous quarter of the current year	Relationship with the issuer
1	Oriental Petrochemical	1,374,740	54.15	None	Oriental Petrochemical	1,574,889	62.46	None	Oriental Petrochemical	303,264	68.03	None
2	Oriental Union	499,538	19.68	None	Oriental Union	434,844	17.25	None	Oriental Union	81,742	18.34	None
	Others	664,329	26.17		Others	511,809	20.29		Others	60,743	13.63	
	Net purchase	2,538,607	100		Net purchase	2,521,542	100		Net purchase	445,749	100	

Note 1: The chart lists out suppliers that represent more than 10% of purchases made in the last two years, along with individual amounts and percentages; an alias is used if the underlying contract prohibits the Company from disclosing the name of the supplier, or if the counterparty is an unrelated natural person.

Note 2: TWSE/TPEX listed companies are required to disclose the most recent audited or auditor-reviewed financial information available before the publication date of annual report.

Main customers in the last two years

Unit: NTD thousands

Item	2021				2022				2022 up until the previous quarter (Note 2)			
	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales (%) in the most recent quarter of the current year	Relationship with the issuer
1	Kwang Ming Silk Mill	465,614	15.70	Common Chairman	Lealea	752,388	23.92	None	Lealea	108,310	23.16	None
2	Lealea	412,012	13.89	None	Kwang Ming Silk Mill	568,472	18.07	Common Chairman	Kwang Ming Silk Mill	107,778	23.04	Common Chairman
3	I Jinn Industrial	381,616	12.87	None	Yi Shin Textile	321,373	10.22	None	Yi Shin Textile	70,877	15.15	None
	Yi Shin Textile	282,536	9.53	None	I Jinn Industrial	300,315	9.55	None	I Jinn Industrial	50,902	10.88	None
	Others	1,423,548	48.01		Others	1,203,385	38.24		Others	129,890	27.77	
	Net sales	2,965,326	100		Net sales	3,145,933	100		Net sales	467,757	100	

Note 1: The chart lists out customers that represent more than 10% of sales made in the last two years, along with individual amounts and percentages; alias is used if the underlying contract prohibits the Company from disclosing the name of the counterparty, or if the counterparty is an unrelated natural person.

Note 2: TWSE/TPEX listed companies are required to disclose the most recent audited or auditor-reviewed financial information available before the publication date of annual report.

(5) Production volume and value in the last two years:

Unit: tonnes; NTD thousands

Year	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products						
Polyester chip	91,800	86,413	2,097,188	91,800	74,814	2,221,711
Polyester filament	80,000	63,512	2,034,627	80,000	53,916	2,012,683
Others		989	24,653		343	10,721
Total	171,800	150,914	4,156,458	171,800	129,073	4,245,115

(6) Sales volume and value in the last two years:

Unit: tonnes; NTD thousands

Year	2021				2022			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products								
Polyester chip	15,133	375,166	14,428	353,145	19,879	611,049	9,535	338,738
Polyester filament	66,121	2,135,763	506	13,732	54,426	2,131,036	2,085	45,482
Polyester yarn	265	26,651	461	58,093	271	11,137	19	2,564
Others	-	2,776	-	-	-	5,927	-	-
Total	81,519	2,540,356	15,395	424,970	74,576	2,759,149	11,639	386,784

### 3. Employee count in the last 2 years:

Year		2021	2022	Year-to-date as at March 31
Employee count	Operators	94	90	87
	Staff	103	102	100
	Part-time workers	41	39	39
	Total	238	231	226
Average age		45	46	47
Average years of service		9 years	10 years	10 years
Academic background	Doctoral Degree	—	—	—
	Master's Degree	4	4	5
	Bachelor Degree	64	63	62
	Senior high school	83	81	78
	Below senior high school (including foreign workers)	87	83	81

### 4. Contribution to environmental protection:

1. Losses (including damage compensations) and fines incurred due to pollution of environment in the last year up until the publication date of annual report: None
2. Future response strategies, improvement measures, and possible expenses:  
The Company has applied for and obtained discharge permit according to government policies, and has established internal water pollution control measures to govern the discharge of wastewater. The Company also implements a wastewater reduction plan and ensures that all wastewater discharged conforms with effluent standards. Meanwhile, actions are being taken to reduce the amount of pollutants in wastewater.

### 5. Labor-management relations:

- (1) Employee welfare measures:
  1. The Company has been very attentive to the harmony of employment relations and the welfare of employees since it was first founded. Having recognized employees as its most important advantage, the Company not only designs its management systems with a humane approach, but also takes the initiative to act in employees' best interest. Below is a description of the personnel



management system and benefits offered by the Company:

- (1) Personnel management system: All personnel-related decisions from appointment, promotion, salary, reward & discipline, leave of absence, pension benefits, redundancy to compassionate pay are made in line with the fundamental spirits of the Labor Standards Act and in the best interest of employees.
- (2) General benefits: The Company caters for the wellbeing of its employees by providing them with facilities such as dining area and dormitory. Other benefits such as festive cash (gifts), wedding/funeral/childbirth subsidies, year-end banquets, trips, and meal gatherings are arranged as a way to share the Company's performance results with employees.

2. Employee training and continuing education:

The Company recognizes employees as an important advantage and spares no resource in training. Aside from regular internal training and experience sharing, the Company also assigns employees to external courses and seminars and have them share the knowledge learned with department peers for overall improvement in employees' capacity.

The Company arranges general training as well as specialized courses to raise employees' capacities in ways that support long-term growth. Some of the courses involve sharing of professional skills by internal workers. Through talent training, the Company hopes to see each employee perform to their fullest potential. General training covers fire safety and occupational safety, whereas specialist training is department-specific and covers the knowledge needed to perform work. Aside from the above, employees are also assigned to audit, accounting, administrative, and technical training courses organized by various institutions.

3. Retirement system:

The Company has established a retirement policy that applies to all permanent employees. According to the policy, employees' pension benefits are determined by basis points. Two basis points are awarded for every full year of service up to 15 years, whereas one basis point is awarded for every full year of service completed beyond 15 years, subject to a maximum of 45 basis points. Baseline salary is defined as the six-month average salary at the time employee's retirement is approved. Following the enactment of the Labor Pension Act (i.e. the "new scheme") in July 2005, all new employees that came onboard afterwards are subject to the new scheme, whereas existing employees were given the option to switch to the new scheme.

In 2017, the Company settled all years of service that existing employees had accumulated under the old scheme, and paid pension benefits calculated using the old scheme.

4. Material Insider Information Handling and Insider Transaction Prevention Procedures:

Implications of the above procedures have been communicated with all employees, managers, and directors; all personnel involved in the handling of material information are required to sign a confidentiality agreement.

5. Enforcement of labor agreements and employee rights:

All factories convene regular factory meetings as a way to promote labor-management relations and to serve as an open communication channel. Opinion boxes have been created to gather opinions from employees, and all opinions gathered are forwarded to relevant departments. The combined use of routine and unscheduled communication has helped developed consensus between the management and employees. The Company has maintained harmonic employment relations since it was first founded and encountered no employment dispute to date. In the future, the management and employees will continue working as one and communicate openly to avoid employment dispute.

(2) Losses as a result of employment dispute in the last year up until the publication date of annual report: None.

(3) Actual or potential losses and response measures: None.

## 6. Cybersecurity management

(I) Explain the cybersecurity risk management framework, cybersecurity policy, management practices, and resources committed.

1. Cybersecurity risk management framework:

Considering how cybersecurity is critical to the safety of various services, the Company has established a set of cybersecurity policy that aims to promote cybersecurity awareness and ensure proper functioning of the cybersecurity management system. The policy serves as the ultimate guiding principle for the Company's cybersecurity management system; it defines the organization and duties of the cybersecurity team and outlines rules that support the execution of management and audit tasks.

2. Cybersecurity policy

The goal of the cybersecurity policy is to ensure the confidentiality, integrity, availability, and compliance of the Company's core systems. By defining job roles and using quantitative measurements of cybersecurity, the Company is able to monitor the state of the cybersecurity management system and evaluate attainment of cybersecurity goals.

(1) Confidentiality: the system should prevent leak of sensitive information

onto the Internet.

- (2) Integrity: the system should ensure the accuracy of sensitive information (e.g. financial, personnel, and system data) kept.
  - (3) Availability: the system should ensure that all important data kept on file is duly backed up.
  - (4) Compliance: the system should comply with local regulations (e.g. Personal Data Protection Act, Trade Secrets Act, and intellectual property rights laws) and prevent losses to the Company or any third party.
3. Management solutions and commitment of cybersecurity management resources:

The cybersecurity management system should be implemented using a Plan-Do-Check-Action cycle that is reiterated to ensure progressive improvement of cybersecurity practices:

- (1) The Company shall conduct internal reviews at least once a year to ensure that cybersecurity practices remain effective given the prevailing laws, technological changes, expectations of the parties concerned, current business activities, internal management, and resources. Furthermore, the Company should arrange to have external institutions or service teams conduct assessments from time to time to ensure that the cybersecurity policy remains relevant.
  - (2) Changes shall be made based on the review outcomes, and effected once announced by the General Manager.
  - (3) Once established or amended, the Company shall notify stakeholders such as: employees, suppliers, customers, external auditors etc. of the latest cybersecurity policy using appropriate method (e.g.: email, website announcement, or hard copy).
- (2) Losses and possible impacts as a result of major cybersecurity incident in the last year up until the publication date of annual report, and response measures.

The Company suffered no loss from major cybersecurity incident in 2022 and up until the publication date of annual report.

## 7. Major contracts: None.

## Nine. Financial information

### 1. Summarized financial information for the last 5 years

#### (1) Summary balance sheet and statement of comprehensive income

##### Summary consolidated balance sheet

Unit: NTD thousands

Item	Year	Financial information for the last 5 years (Note 1)					Year-to-date information as at March 31, 2022 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		920,040	792,781	776,336	904,701	764,821	742,443
Property, plant and equipment (Note 2)		1,139,009	1,183,334	1,172,595	1,171,314	1,125,962	1,111,687
Intangible asset		-	-	-	-	-	-
Other assets (Note 2)		312,076	775,437	788,149	757,770	774,420	780,053
Total assets		2,353,125	2,751,552	2,737,080	2,833,785	2,665,203	2,634,183
Current liabilities	Before distribution	807,292	849,240	897,704	742,661	559,260	581,770
	After distribution	807,292	849,240	897,704	742,661	559,260	581,770
Non-current liabilities		411,655	702,522	798,890	944,327	877,984	859,352
Total liabilities	Before distribution	1,218,947	1,551,762	1,696,594	1,686,988	1,437,244	1,441,122
	After distribution	1,218,947	1,551,762	1,696,594	1,686,988	1,437,244	1,441,122
Equity attributable to owners of parent company		1,134,178	1,199,790	1,040,486	1,146,797	1,227,959	1,193,061
Share capital		1,321,124	1,321,124	1,321,124	1,321,124	1,321,124	1,321,124
Capital reserves		-	-	-	-	-	-
Retained earnings	Before distribution	(183,588)	(117,119)	(279,157)	(172,846)	(84,462)	(119,360)
	After distribution	(183,588)	(117,119)	(279,157)	(172,846)	(84,462)	(119,360)
Other equity items		(3,358)	(4,215)	(1,481)	(1,481)	(8,703)	(8,703)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		-	-	-	-	-	-
Total equity	Before distribution	1,134,178	1,199,790	1,040,486	1,146,797	1,227,959	1,193,061
	After distribution	1,134,178	1,199,790	1,040,486	1,146,797	1,227,959	1,193,061

\*Companies that prepare separate financial statements are also required to present summary balance sheet and summary statement of comprehensive income for the last 5 years on a separate basis.

Note 1: Years that are without audited figures have been highlighted. **The Company has been preparing standalone financial statements since 2017.**

Note 2: Date of revaluation and change in value are explained if asset revaluation had taken place during the year.

Note 3: TWSE/TPEX listed companies are required to disclose the most recent audited or auditor-reviewed financial information available before the publication date of annual report.

Note 4: Figures after dividend distribution, as shown above, were presented based on the amounts resolved in shareholder meeting in the following year.

Note 5: Companies that have been instructed by the authority to correct or restate financial information are required to present the corrected/restated figures and provide explanation.

## Summary consolidated statement of comprehensive income

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years (Note 1)					Year-to-date information as at March 31, 2022 (Note 1)
	2018	2019	2020	2021	2022	
Operating revenues	3,651,036	2,947,365	1,558,963	2,965,326	3,145,933	467,757
Gross profit	283,444	146,641	(72,864)	193,551	208,147	(20,457)
Operating profit/loss	198,542	58,659	(164,067)	99,388	84,508	(35,079)
Non-operating income and expenses	7,516	10,664	2,155	6,888	15,218	181
Pre-tax profit	206,058	69,323	(161,912)	106,276	99,726	(34,898)
Current net income from continuing operations	206,058	69,323	(161,912)	106,276	99,726	(34,898)
Loss from discontinued operations	-	-	-	-	-	-
Current net income (loss)	242,384	68,560	(162,038)	106,311	99,041	(34,898)
Other comprehensive income for the current period (net, after-tax)	(3,358)	(857)	2,734	-	(7,222)	-
Total comprehensive income for the current period	239,026	67,703	(159,304)	106,311	91,819	(34,898)
Net income attributable to owners of the parent	239,026	67,703	(159,304)	106,311	91,819	(34,898)
Net income attributable to non-controlling shareholders	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent	239,026	67,703	(159,304)	106,311	91,819	(34,898)
Total comprehensive income attributable to non-controlling shareholders	-	-	-	-	-	-
Earnings per share (EPS)	1.83	0.52	(1.23)	0.80	0.75	(0.26)

\*Companies that prepare separate financial statements are also required to present summary balance sheet and summary statement of comprehensive income for the last 5 years on a separate basis.

Note 1: Years that are without audited figures have been highlighted. The Company has been preparing standalone financial statements since 2017.

Note 2: TWSE/TPEX listed companies are required to disclose the most recent audited or auditor-reviewed financial information available before the publication date of annual report.

Note 3: Losses from discontinued operations are presented net of income tax.

Note 4: Companies that have been instructed by the authority to correct or restate financial information are required to present the corrected/restated figures and provide explanation.

(2) Summary separate balance sheet and statement of comprehensive income - separate financial statement

The Company became subject to preparing standalone financial statements since 2017, hence is not required to prepare separate financial statements

(3). Names of financial statement auditors in the last 5 years, and audit opinions issued

Year	Certifying CPA	Name of accounting firm	Audit opinions
2018	Shih-Chin Chi, Shu-Ling Lien	KPMG	Unqualified opinion
2019	Shu-Ying Chang, Shih-Chin Chi	KPMG	Unqualified opinion
2020	Shu-Ying Chang, Shih-Chin Chi	KPMG	Unqualified opinion
2021	Shu-Ying Chang, Shih-Chin Chi	KPMG	Unqualified opinion
2022	Chun-Ming Pan, Shu-Ying Chang	KPMG	Unqualified opinion

## 2. Financial analysis for the last 5 years

### (1) Financial analysis

Analysis (Note 3)		Financial analysis for the last 5 years					Current year up until March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt-to-assets ratio	51.80	56.40	61.99	59.53	53.93	54.71
	Long-term capital to property, plant and equipment ratio	135.72	160.76	156.86	178.53	187.03	184.62
Solvency %	Current ratio	111.74	93.35	86.48	121.82	136.76	127.62
	Quick ratio	45.75	26.26	24.67	41.02	39.24	26.40
	Interest coverage ratio	21.25	7.87	(14.55)	8.24	7.84	(6.20)
Operating efficiency	Receivables turnover (times)	14.30	12.99	10.65	22.41	23.19	16.39
	Average cash collection days	25.52	28.10	34.28	16.29	15.74	22.27
	Inventory turnover (times)	7.06	5.26	3.12	5.09	5.24	3.47
	Payables turnover (times)	9.61	10.34	9.87	12.72	11.92	9.89
	Average inventory turnover days	51.72	69.43	117.08	71.76	69.71	105.28
	Property, plant and equipment turnover (times)	3.21	2.49	1.33	2.53	2.79	1.68
	Total asset turnover (times)	1.55	1.07	0.57	1.05	1.18	0.71
Profitability	Return on assets (%)	10.70	2.98	(5.49)	4.21	4.02	(4.72)
	Return on equity (%)	23.89	5.87	(14.47)	9.72	8.34	(11.53)
	Pre-tax profit to paid-up capital ratio (%)	15.60	5.25	(12.26)	7.52	6.40	(10.62)
	Net profit margin (%)	6.64	2.33	(10.39)	3.59	3.15	(7.46)
	Earnings per share (NTD)	1.83	0.52	(1.23)	0.80	0.75	(1.06)
Cash flow	Cash flow ratio (%)	13.50	0.70	(4.37)	44.46	17.04	(10.48)
	Cash flow adequacy ratio (%)	41.25	10.51	38.40	85.37	59.62	(35.21)
	Cash reinvestment ratio (%)	1.90	0.10	(0.64)	5.11	1.46	(6.23)
Degree of leverage	Operating leverage	1.27	2.01	0.60	1.73	1.96	0.48
	Financial leverage	1.05	1.21	0.92	1.17	1.22	0.88

\* Companies that prepare separate financial statements are also required to provide financial analysis on a separate basis.

Note 1: Years that are without audited figures have been highlighted. **The Company has been preparing standalone financial statements since 2017.**

Note 2: TWSE/TPEX listed companies are required to analyze audited or auditor-reviewed financial information available before the publication date of annual report.

Financial analysis - separate financial statements

**The Company became subject to preparing standalone financial statements since 2017, hence is not required to prepare separate financial statements.**

Note 3:

1. Financial position

- (1) Debt-to-assets ratio = total liabilities/ total assets.
- (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities) / net property, plant, and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales/average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to owners of the parent - preferred share dividends) / weighted average outstanding shares. (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Degree of leverage:

- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6).
- (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

Note 4: Calculation of earnings per share has taken the following factors into account:

1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
2. Effects of cash issue or treasury stock, weighed by the number of outstanding shares and calculated for the length of time they were in circulation.
3. Where any additional shares were issued against capitalized earnings or reserves,



the full year or half-year earnings per share are adjusted retrospectively, regardless of when the additional shares were issued.

4. For preferred shares that are cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. For preferred shares that are non-cumulative in nature, preferred share dividends are deducted from net income, but no adjustment is required for net loss.

Note 5: The cash flow analysis takes into account the following:

1. Net cash flow from operating activities is taken from the amount presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. Increase in inventory is used only if closing balance exceeds opening balance. The value will be substituted with zero if closing inventory balance is less than the opening balance.
4. Cash dividends include both common and preferred share cash dividends.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 6: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification has to be reasonable and consistent.

Note 7: For foreign companies, any of the above ratios that involve the paid-up capital figure is substituted with net worth instead.

### 3. Audit Committee's Review Report

#### Audit Committee's Review Report

The board of directors has resolved the Company's 2022 standalone financial statements, business report, and deficit compensation proposal. The standalone financial statements have been audited by CPA Chun-Ming Pan and CPA Shu-Ying Chang of KPMG, for which they issued an independent auditor's report with unqualified opinion.

The Audit Committee completed its review of the above standalone financial statements, business report, and deficit compensation proposal and found no misstatement, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act

The report is hereby presented for approval.

For

2023 Annual General Meeting of Hung Chou Fiber Industrial Co., Ltd.

Hung Chou Fiber Industrial Co., Ltd.

Audit Committee convener: Shou-Po Chao

March 2, 2023

#### 4. Latest financial statements and independent auditor's report

### **Independent Auditor's Report**

To the board of directors of Hung Chou Fiber Industrial Co., Ltd.:

#### **Audit opinion**

We have audited the standalone balance sheet of Hung Chou Fiber Industrial Co., Ltd. as at December 31, 2022 and 2021, and the standalone statement of comprehensive income, statement of changes in equity, cash flow statement, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2022 and 2021.

In our opinion, all material disclosures of the standalone financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and presented a fair view of the financial position of Hung Chou Fiber Industrial Co., Ltd. as at December 31, 2022 and 2021 and business performance and cash flow for the periods January 1 to December 31, 2022 and 2021

#### **Basis of audit opinion**

We have conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities as an auditor for the standalone financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Hung Chou Fiber Industrial Co., Ltd. when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

#### **Key audit issues**

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2022 standalone financial statements of Hung Chou Fiber Industrial Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the financial statements. Therefore, we do not provide opinions separately for individual issues. Below are the key audit issues that we consider relevant for disclosure in this audit report:

##### 1. Revenue recognition

Accounting policies relating to revenue recognition have been disclosed in Note 4(14) - Revenue recognition of the standalone financial statements; for details on recognized revenues, please refer to Note 6(15) - Revenue from contracts with customers of the standalone financial statements.

Explanation of key audit issues:

Hung Chou Fiber Industrial Co., Ltd. generates revenues mainly from sale of polyester filament, and the risks associated with revenue recognition lies in the authenticity of the underlying transactions. Due to the fact that operating revenues are highly susceptible to changes in the economy, we have identified revenue recognition test as one of the key assessments when auditing the financial statements of Hung Chou Fiber Industrial Co., Ltd.

Audit procedures:

The primary audit procedures taken to address the above key audit matters included: testing the sales and collection cycle as well as relevant controls; verifying and reconciling sales system data against customers' contracts, external certificates, and general journal entries; and evaluating whether the revenue recognition policy of Hung Chou Fiber Industrial Co., Ltd. conforms with accounting standards.

## 2. Inventory valuation

For accounting policies on inventory valuation, please refer to Note 4(7) - Inventory of the standalone financial statements; for detailed disclosure on inventory valuation, please refer to Note 6(4) - Inventory of the standalone financial statements.

Explanation of key audit issues:

Fluctuations in the international price of raw materials combined with changes in supply and demand may give rise to significant volatility with regards to the selling price and sales volume of the inventory held by Hung Chou Fiber Industrial Co., Ltd., causing the cost of inventory to exceed net realizable value in some circumstances. For this reason, inventory impairment test was identified as one of our key assessments when auditing the financial statements of Hung Chou Fiber Industrial Co., Ltd.

Audit procedures:

The primary audit procedures taken to address the above key audit matters included: learning the management's inventory management and valuation policies, and assessing whether inventory management and valuation were duly performed according to policies. We have conducted random checks to determine the rationality of net realizable values adopted by the management, to test the correctness of the inventory aging reports prepared, and to evaluate the adequacy of inventory loss provisions that Hung Chou Fiber Industrial Co., Ltd. had made as at the reporting date.

## **Responsibilities of the management and governance body to the standalone financial statements**

Responsibilities of the management were to prepare and ensure fair presentation of standalone financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the version of IFRS, IAS, IFRIC and interpretations thereof approved and effected by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The management’s responsibilities when preparing standalone financial statements also involved: assessing the ability of Hung Chou Fiber Industrial Co., Ltd. to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Hung Chou Fiber Industrial Co., Ltd. (including supervisors) is responsible for supervising the financial reporting process.

### **Responsibilities of the auditor when auditing standalone financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the standalone financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the standalone financial statement user.

When conducting audits in accordance with generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Hung Chou Fiber Industrial Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.

4. Forming conclusions regarding the appropriateness of management’s decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Hung Chou Fiber Industrial Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are bound to remind financial statement users and make related disclosures if material uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Hung Chou Fiber Industrial Co., Ltd. no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by the Company, and expressing opinions on standalone financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on Hung Chou Fiber Industrial Co., Ltd.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects identified in internal control) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors’ professional ethics, and communicated with the governance body on all matters that may affect the auditor’s independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2022 standalone financial statements of Hung Chou Fiber Industrial Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

KPMG

CPA: Jun-Ming Pan

Shu-Ying Chang

Approval reference of the securities authority : Jin-Guan-Zheng-Shen-1110333933  
March 2, 2023 : Jin-Guan-Zheng-VI-0940100754

# Hung Chou Fiber Industrial Co., Ltd.

## Balance sheet

As at December 31, 2022 and 2021

Unit: NTD thousands

Asset	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Current assets:</b>				
1100	\$ 71,700	3	158,555	6
1120		3 -	3	-
1150	53,878	2	57,301	2
1160	39,922	1	29,062	1
1170	36,973	1	48,517	2
1180	5,632	-	-	-
1200	415	-	3	-
1210	10,902	-	11,229	-
130X	541,095	21	581,035	21
1410	4,297	-	18,991	1
1479	4	-	5	-
	<u>764,821</u>	<u>28</u>	<u>904,701</u>	<u>33</u>
<b>Non-current assets:</b>				
1517	3,147	-	10,369	-
1550	64,142	2	50,998	2
1600	1,125,962	43	1,171,314	41
1760	670,881	26	658,174	23
1840	36,000	1	36,000	1
1900	250	-	2,229	-
	<u>1,900,382</u>	<u>72</u>	<u>1,929,084</u>	<u>67</u>
<b>Total assets</b>	<b><u>\$ 2,655,203</u></b>	<b><u>100</u></b>	<b><u>2,833,785</u></b>	<b><u>100</u></b>

**Hung Chou Fiber Industrial Co., Ltd.**  
**Balance Sheet (continued)**  
**As at December 31, 2022 and 2021**

Unit: NTD thousands

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>Liabilities and equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings (Note 6(8))	\$ 175,402	7	249,505	9
2130	Contractual liabilities - current (Note 6(15))	31,313	1	87,151	3
2150	Notes payable	16,383	1	28,885	1
2160	Notes payable - related parties (Note 7)	-	-	1,126	-
2170	Accounts payable	199,768	7	246,820	8
2180	Accounts payable - related parties (Note 7)	-	-	107	-
2200	Other payables	65,846	2	75,856	3
2220	Other payables - related parties (Note 7)	-	-	-	-
2320	Long-term liabilities due within 1 year or 1 business cycle (Note 6(9))	67,028	3	49,528	2
2399	Other current liabilities - others	3,520	-	3,683	-
		<u>559,260</u>	<u>21</u>	<u>742,661</u>	<u>26</u>
<b>Non-current liabilities:</b>					
2540	Long-term borrowings (Note 6(9))	653,694	25	720,722	25
2570	Deferred income tax liabilities (Note 6(12))	224,290	8	223,605	8
		<u>877,984</u>	<u>33</u>	<u>944,327</u>	<u>33</u>
<b>Total liabilities</b>		<u>1,437,244</u>	<u>54</u>	<u>1,686,988</u>	<u>59</u>
<b>Equity (Note 6(13)):</b>					
3100	Share capital	1,321,124	49	1,321,124	47
3350	Losses pending reimbursement	(84,462)	(3)	(172,846)	(6)
3400	Other equity items	(8,703)	-	(1,481)	-
<b>Total equity</b>		<u>1,227,959</u>	<u>46</u>	<u>1,146,797</u>	<u>41</u>
<b>Total liabilities and equity</b>		<u>\$ 2,665,203</u>	<u>100</u>	<u>2,833,785</u>	<u>100</u>

(Please refer to the attached notes to financial statements)

**Chairman:**  
**Cheng-Tien Chan**

**General Manager:**  
**G.L. Lin**

**Accountant Manager:**  
**Wallace Lin**



**Hung Chou Fiber Industrial Co., Ltd.**  
**Statements of Comprehensive Income**  
**For the periods January 1 to December 31, 2022 and 2021**

Unit: NTD thousands

		<u>2022</u>		<u>2021</u>	
		Amount	%	Amount	%
4110	<b>Sales revenues (Notes 6(15) and 7)</b>	\$ 3,169,337	101	2,984,670	101
4170	Less: sales return	11,276	1	10,451	1
4190	Sales discount	12,128	-	8,893	-
	<b>Net operating revenues</b>	<u>3,145,933</u>	<u>100</u>	<u>2,965,326</u>	<u>100</u>
5110	<b>Cost of sale (Notes 6(4) and (11) and 7)</b>	<u>2,937,786</u>	<u>93</u>	<u>2,771,775</u>	<u>93</u>
	<b>Gross profit (loss)</b>	208,147	7	193,551	7
6000	<b>Operating expenses (Notes 6(11) and 7)</b>	<u>110,244</u>	<u>4</u>	<u>94,163</u>	<u>3</u>
6500	<b>Net other income and expenses</b>	<u>(13,395)</u>	<u>-</u>	<u>-</u>	<u>3</u>
	<b>Net operating profit (loss)</b>	<u>84,508</u>	<u>3</u>	<u>99,388</u>	<u>4</u>
	<b>Non-operating income and expenses (Notes 6(17) and 7):</b>				
7100	Interest income	73	-	14	-
7010	Other income	26,655	1	22,509	1
7020	Other gains and losses	8,255	-	1,477	-
7050	Financial costs	(15,379)	(1)	(14,684)	(1)
7060	Share of profit/loss from equity-accounted associated companies (Note 6(5))	<u>(1,386)</u>	<u>-</u>	<u>(2,428)</u>	<u>-</u>
		<u>15,128</u>	<u>1</u>	<u>6,888</u>	<u>-</u>
	<b>Profit (loss) before tax from continuing segments</b>	99,726	4	106,276	4
7950	<b>Less: income tax expense (benefit) (Note 6(12))</b>	<u>685</u>	<u>-</u>	<u>(35)</u>	<u>-</u>
	<b>Current net income (loss)</b>	<u>99,041</u>	<u>4</u>	<u>106,311</u>	<u>4</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not reclassified into profit or loss (Note 6(18))</b>				
8316	Unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income	<u>(7,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	<b>Other comprehensive income for the current period (net, after-tax)</b>	<u>(7,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total comprehensive income for the current period</b>	<u>\$ 91,819</u>	<u>4</u>	<u>106,311</u>	<u>4</u>
	<b>Earnings (losses) per share (NTD) (Note 6(14))</b>				
9750	<b>Basic earnings (losses) per share</b>	<u>\$ 0.75</u>		<u>0.80</u>	
9810	<b>Diluted earnings per share</b>	<u>\$ 0.75</u>		<u>0.80</u>	

(Please refer to the attached notes to financial statements)

**Chairman:**  
**Cheng-Tien Chan**

**General Manager:**  
**G.L. Lin**

**Accountant Manager:**  
**Wallace Lin**

**Hung Chou Fiber Industrial Co., Ltd.**  
**Statement of Changes in Equity**  
**For the periods January 1 to December 31, 2022 and 2021**

**Unit: NTD thousands**

	Common share capital	Losses pending reimbursement	Other equity items - unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total equity
<b>Balance as at January 1, 2021</b>	\$ 1,321,124	(279,157)	(1,481)	1,040,486
Current net loss	-	106,311	-	106,311
Other comprehensive income for the current year	-	-	-	-
Total comprehensive income for the current period	-	106,311	-	106,311
Balance as at December 31, 2021	1,321,124	(172,846)	(1,481)	1,146,797
Current net income	-	99,041	-	99,041
Other comprehensive income for the current year	-	-	(7,222)	(7,222)
Total comprehensive income for the current period	-	99,041	(7,222)	91,819
	-	(10,657)	-	(10,657)
<b>Balance as at December 31, 2022</b>	<b>\$ 1,321,124</b>	<b>(84,462)</b>	<b>(8,703)</b>	<b>1,227,959</b>

(Please refer to the attached notes to financial statements)

**Chairman:**  
Cheng-Tien Chan

**General Manager:**  
G.L. Lin

**Accountant Manager:**  
Wallace Lin

## Hung Chou Fiber Industrial Co., Ltd.

### Cash Flow Statement

For the periods January 1 to December 31, 2022 and 2021

	Unit: NTD thousands	
	2022	2021
<b>Cash flow from operating activities:</b>		
<b>Pre-tax profit (loss) for the current period</b>	\$ 99,726	106,276
<b>Adjustments:</b>		
Income, expenses, and losses		
Depreciation expenses	67,871	72,836
Net gain on financial assets at fair value through profit or loss	2	(128)
Interest expenses	15,379	14,684
Interest income	(73)	(14)
Share of profit/loss from equity-accounted associated companies and joint ventures	1,386	2,428
Net other income and expenses	13,395	-
Gain on disposal of property, plant, and equipment	93	(3,038)
Income, expenses, and losses	98,053	86,768
Change in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Financial assets mandatory to be carried at fair value through profit or loss	(2)	128
Notes receivable	3,423	1,880
Notes receivable - related parties	(10,860)	3,228
Accounts receivable	11,544	(12,267)
Accounts receivable - related parties	(5,632)	1,011
Other receivables	(412)	9,716
Other receivables - related parties	327	(246)
Inventory	39,940	(72,204)
Prepayments	1,299	27,007
Other current assets - others	1	2,212
Net change in assets related to operating activities	39,628	(39,535)
Net change in liabilities related to operating activities:		
Notes payable	(12,502)	19,782
Notes payable - related parties	(1,126)	1,126
Accounts payable	(47,052)	101,030
Accounts payable - related parties	(107)	(3,729)
Other payables	(10,169)	15,978
Other payables - related parties	-	(1,124)
Contractual liabilities	(55,838)	58,317
Other current liabilities - others	(163)	90
Net change in liabilities related to operating activities	(126,957)	191,470
Net change in assets and liabilities related to operating activities	(87,329)	151,935
Total adjustments	10,724	238,703
Cash inflow (outflow) from operating activities	110,450	344,979
Interests received	73	14
Interests paid	(15,220)	(14,810)
Income tax paid	-	-
<b>Net cash inflow (outflow) from operating activities</b>	95,303	330,183

**Hung Chou Fiber Industrial Co., Ltd.**

**Cash Flow Statement (continued)**

**For the periods January 1 to December 31, 2022 and 2021**

**Unit: NTD thousands**

	<u>2022</u>	<u>2021</u>
<b>Cash flow from investing activities:</b>		
Acquisition of equity-accounted investments	(25,187)	-
Acquisition of property, plant and equipment	(33,019)	(42,110)
Disposal of property, plant and equipment	-	3,038
Acquisition of Investment property	(190)	-
Other non-current assets	(131)	(1,494)
<b>Net cash outflow from investing activities</b>	<u>(58,527)</u>	<u>(40,566)</u>
<b>Cash flow from financing activities:</b>		
(Decrease) increase in short-term borrowings	(74,103)	(360,915)
Borrowing of long-term loan	-	200,000
Repayment of long-term borrowings	(49,528)	(40,000)
<b>Net cash inflow (outflow) from financing activities</b>	<u>(123,631)</u>	<u>(200,915)</u>
Increase in cash and cash equivalents for the current period	(86,855)	88,702
Opening cash and cash equivalents balance	158,555	69,853
Closing cash and cash equivalents balance	<u><b>\$ 71,700</b></u>	<u><b>158,555</b></u>

**Hung Chou Fiber Industrial Co., Ltd.**  
**Notes to Financial Statements**  
**For the Years 2022 and 2021**

**(Unless otherwise specified, all amounts are presented in NTD thousands)**

**1. Company history**

Hung Chou Fiber Industrial Co., Ltd. (the Company) has been listed for trading on Taiwan Stock Exchange Corporation since December 23, 1975. It has business address registered at 7F, No. 607, Ruigang Road, Neihu District, Taipei City.

Primary business activities of the Company include the manufacturing, processing, and trading of synthetic fibers and plastic filaments.

**2. Financial statement approval date and procedures**

The standalone financial statements were passed during the board of directors meeting held on March 2, 2023.

**3. Application of new and amended standards and interpretations**

(1) Effect of adopting the latest and amended standards and interpretations approved by Financial Supervisory Commission ("FSC")

The Company became subject to the newly revised international financial reporting standards listed below since January 1, 2022, and the adoption of which had no material impact on the financial statements.

- Amendment to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use ◦
- "Amendment to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Costs of Fulfilling a Contract
- Annual Improvements to International Financial Reporting Standards 2018 – 2020 Cycle ◦
- Amendment to IFRS 3: Business Combinations – Reference to the Conceptual Framework ◦

(2) Impact of not adopting FSC-approved IFRS

Based on the Company's own evaluation, adopting the newly revised international financial reporting standards listed below that take effect from January 1, 2023 onwards do not have material impact on the financial statements.

- Amendment to IAS 1: Presentation of Financial Statements – Disclosure of Accounting Policies.
- Amendment to IAS 8: Accounting Policies, Changes in Accounting Estimates

and Errors – Definition of Accounting Estimates.

- Amendment to IAS 12: Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction with a Taxpayer

- (3) Newly published/revised standards and interpretations that are not yet approved by FSC

Below is a list of standards and interpretations amended and announced by International Accounting Standards Board (IASB) that are yet to be approved by FSC but may be relevant to the Company:

<b>New or revised standards</b>	<b>Summary of amendment</b>	<b>Effective date of IASB announcement</b>
Amendments to IAS 1 regarding “Classification of Liabilities as Current or Non-current”	<p>The amendment is intended to ensure uniformity of the standard, and to help businesses determine whether debts or other liabilities with undefined settlement date should be classified as current (likely to mature within one year) or non-current on the balance sheet.</p> <p>The amended standard also outlines classification rules for situations where businesses are able to settle debts by converting into equity.</p>	January 1, 2024

The Company continues to evaluate how revisions of the above standards and interpretations affect its financial position and business performance. Outcomes of these assessments will be disclosed upon completion.

The Company expects no material impact from other newly published and revised standards that are not yet approved by FSC.

#### 4. Summary of significant accounting policies

Below is a summary of significant accounting policies adopted for the preparation of financial statements. Unless otherwise specified, the following accounting policies have been applied consistently across all periods presented in the financial statements.

- (1) Statement of compliance

The financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Preparation Guidelines”) and FSC-approved international financial reporting standards, international accounting standards, and interpretations thereof (collectively referred to as “FSC-approved IFRS”).

- (2) Basis of preparation

1. Basis for measurement

The financial statements are prepared on the basis of historical cost, except for the key balance sheet item listed below:

- (1) Financial assets at fair value through profit or loss;
- (2) Financial assets at fair value through other comprehensive income.

2. Functional currency and presentation currency

The Company has designated its functional currency as the main currency used in the economic environment where operations take place. This financial statement is presented using the Company's functional currency (NTD). All financial figures denominated in NTD have been presented in NTD thousands.

(3) Foreign currency

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items outstanding at the end of each reporting period (referred to as reporting date below) are subsequently converted into the functional currency using exchange rate applicable on that day. Foreign currency-denominated non-monetary items carried at fair value are converted into the functional currency using exchange rate as of the date of fair value measurement. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Differences from foreign currency conversion are generally recognized through profit or loss, or recognized through other comprehensive income under the following circumstances:

- (1) Equity instruments designated to be carried at fair value through other comprehensive income;
- (2) Financial liabilities designated to hedge net investment in foreign operations, within the effective scope of hedge; or
- (3) Qualifying cash flow hedge, within the effective scope of hedge.

(4) Classification of current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets; assets that do not meet the criteria for current asset are classified as non-current assets:

1. Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle;
2. Assets that are held mainly for the purpose of trading;
3. Assets that are expected to be realized within twelve (12) months after the end of the reporting period; or

4. Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the reporting period, and those with restricted uses.

Liabilities that match any of the following criteria are classified as current liabilities; liabilities that do not meet the criteria for current liability are classified as non-current liabilities:

1. Liabilities that are expected to be repaid within the normal operating cycle;
2. Liabilities that are held mainly for the purpose of trading;
3. Liabilities that are expected to be repaid within twelve (12) months after the end of the reporting period; or
4. Liabilities with repayment terms that cannot be extended unconditionally beyond twelve (12) months after the reporting period. Liabilities with terms that give counterparties the option to be repaid in the form of equity instruments do not affect their classification.

(5) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Time deposit that meets the above mentioned definition and is intended to meet short-term cash commitment instead of investment or other purposes is stated as cash equivalent.

Bank overdraft facilities that are immediately repayable and used as part of the Company's cash management are presented as a composition of cash and cash equivalents when preparing the cash flow statement.

(6) Financial instrument

Accounts receivable are initially recognized at the time of occurrence. All other financial assets and financial liabilities are recognized at initiation when the Company becomes a party to a financial instrument contract. Financial assets or liabilities that are not carried at fair value through profit or loss (excluding accounts receivable without major financial component) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable without major financial component are initially measured at transaction price.

1. Financial assets

Purchase and sale of financial asset that conforms with customary practices is accounted using trade day accounting, and the same approach is applied consistently to financial assets of the same classification.

Financial assets are classified at initiation into: financial assets carried at



amortized cost, equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. Only when the Company changes the ways financial assets are managed will it reclassify the affected financial assets according to policy, starting from the next reporting period.

(1) Financial assets carried at amortized cost

Financial assets that meet all of the following conditions and are not designated to be carried at fair value through profit or loss are carried at amortized cost:

- The financial asset is held for the purpose of collecting contractual cash flow.
- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are subsequently carried at amortized cost, at the amount of initial cost plus/less accumulated amortization calculated using the effective interest rate method and after adjusting for loss provisions. Interest income, gain/loss on foreign currency exchange, and impairment loss are recognized through profit or loss. When removed from balance sheet, gains or losses are recognized through profit or loss.

(2) Financial assets at fair value through other comprehensive income

At initiation, the Company can make an irrevocable choice to account for subsequent fair value changes through other comprehensive income for equity instruments that are not held for trading. The above choice is determined on an instrument-by-instrument basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized through profit or loss (unless the dividends clearly represent a partial recovery of the investment cost). Other net gains or losses are recognized through other comprehensive income and are not reclassified into profit or loss.

Dividend income from equity investments are recognized on the day the Company becomes entitled to collect them (which is usually the ex-dividend day).

(3) Financial assets at fair value through profit or loss

Financial assets that are neither carried at amortized cost nor at fair value through other comprehensive income are carried at fair value through profit or loss; this includes derivative financial assets. At initial

recognition, the Company can make an irrevocable decision to designate financial assets that satisfy the criteria of being carried at amortized cost or at fair value through other comprehensive income to be carried at fair value through profit or loss, for the purpose of eliminating or reducing accounting mismatch.

These assets are subsequently measured at fair value with net gains or losses (including any dividend and interest income) recognized through profit or loss.

(4) Impairment on financial assets

The Company recognizes loss provisions on financial assets carried at amortized cost (including cash and cash equivalents, financial assets carried at amortized cost, notes and accounts receivable, other receivables, guarantee deposits paid, and other financial assets) based on expected credit loss.

Loss provisions for the following financial assets are made based on 12-month expected credit loss; for all other financial assets, loss provisions are made based on expected credit loss for the remaining lifetime:

- Debt securities that are deemed to be of low risk as of the reporting date; and
- Other debt securities and bank deposits that exhibit no significant increase in credit risk (i.e. risk of default over the financial instrument's expected duration) since initial recognition.

Loss provisions for accounts receivable are measured based on expected credit loss over the remaining lifetime.

When assessing whether a financial instrument has significantly increased in credit risk since initial recognition, the Company uses reasonable and verifiable information (that can be obtained without excessive cost or investment) including qualitative and quantitative data in conjunction with its own past experience, credit rating, and forecasts.

The Company considers credit risk to have increased significantly if contractual payment is overdue for more than two months.

The Company considers financial asset to have defaulted if contractual payment is overdue for more than one year, or if the borrower is unlikely to fulfill credit obligation and make pay full payment to the Company.

Expected credit loss for the remaining lifetime refers to the amount of credit losses that the financial instrument is likely to incur due to any

possible default event in the remaining lifetime.

12-month expected credit loss refers to the amount of credit loss that a financial instrument may incur due to default event in the next 12 months (or shorter, if the financial instrument's expected remaining lifetime is less than 12 months).

The longest duration by which expected credit loss is measured is the maximum contract duration for which the Company is exposed to credit risk.

Expected credit loss is estimated by weighing credit losses for the remaining lifetime of a financial instrument against probability of occurrence. Credit losses are measured as the shortfall of cash collected, which is the difference between the amount of contractual cash flow collectible and the amount of cash flow the Company expects to collect. Expected credit losses are discounted at effective interest rate applicable to the financial asset.

The Company assesses financial assets carried at amortized cost for credit impairment on every reporting date. A financial asset is deemed to have credit-impaired if estimated future cash flow exhibits one or several adverse events. Evidence of credit impairment includes any observable data that can be used to establish the following with respect to a financial asset:

- The borrower or issuer encounters significant financial distress;
- Event of default, such as delinquency or more than one-year overdue;
- The Company grants compromise to the borrower for reasons relating to financial distress or contractual obligation that the Company would not have done so otherwise;
- The borrower is very likely to file for bankruptcy or undergo financial restructuring; or
- Occurrence of financial distress that may cause the financial asset to be removed from active market.

Loss provisions on financial assets carried at amortized cost are deducted from book value.

When the Company has reason to believe that it may not recover part or all of a financial asset, the total book value of financial asset is reduced directly to reflect the expectation. If the counterparty is a corporate entity, the Company would analyze the timing and amount of charge-off based on rational expectations about recoverability. The Company expects no major reversal of amounts that it has charged off.

However, the Company may still make claims on charged-off financial assets according to its recovery procedures.

(5) Removal of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns of ownership assumed by another party, or in situations where the Company neither transfers nor retains virtually all risks and returns associated with ownership and retains no control over such financial asset.

The Company will continue recognizing financial assets it has signed transfer agreement for on the balance sheet if it retains virtually all risks and returns associated with the ownership of the transferred asset.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Company are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

(2) Equity transactions

Equity instrument refers to any contract that represents the Company's entitlement to assets net of liabilities. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

(3) Financial liabilities

Financial liabilities are classified to be carried at amortized cost, and are subsequently carried at amortized cost using the effective interest method. Interest expenses and gains/losses on currency exchange are recognized through profit or loss. When removing from balance sheet, any gains or losses incurred are also recognized through profit or loss.

(4) Removal of financial liabilities

Financial liabilities are removed from balance sheet upon fulfillment, cancellation, or expiry of contractual obligation. If a change in the terms of a financial liability alters cash flow by a significant extent, the old financial liability is removed and a new financial liability will be recognized based on the revised terms.

When removing financial liabilities from balance sheet, any

differences between the book value and the amount paid or payable (including any non-cash assets transferred and any liabilities assumed as part of the arrangement) are recognized through profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and presented in the balance sheet in net amount only when the Company is legally entitled to do so, and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

(6) Amendments regarding Interest Rate Benchmark Reform - Phase 2 (applicable from January 1, 2021)

When there is a change to the benchmark interest rate used for determining contractual cash flow of a financial asset or liability carried at amortized cost, the Company will update the effective interest rate of the given financial asset/liability to reflect the interest rate benchmark reform.

A change in the basis for determining the contractual cash flows of a financial asset or liability is required by the interest rate benchmark reform only if the following two conditions are met:

- the change is necessary as a direct consequence of the interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. basis before the reform).

If any changes are made to such financial asset/liability in addition to changes in the basis for determining contractual cash flows as required by the interest rate benchmark reform, the Company will first update the effective interest rate for the financial asset/liability to reflect the reform, and treat the additional changes as contract amendment according to accounting policies.

(7) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes all costs incurred to acquire, produce, process, and bring inventory to its usable state and location, and is calculated using the weighted average method. Cost of finished products and work-in-progress includes manufacturing overheads, which are allocated proportionally based on normal production capacity.

Net realizable value refers to the estimated selling price less all additional

costs required for completion and all associated marketing expenses under normal circumstances.

(8) Investment in associated companies

Associated company is an entity in which the Company has significant influence over financial and operating decisions, but no single or joint control.

The Company accounts for associated companies using the equity method. Under the equity method, investments are accounted at acquisition cost at initiation; acquisition cost includes transaction cost. The book value of associated company includes goodwill recognized at initiation less any cumulative impairment losses.

The financial statements include profit or loss and other comprehensive income from associated companies, recognized based on percentage of equity ownership and adjusted for consistency of accounting policy, from the day the Company gains significant influence until the day it no longer exercises significant influence. If an associated company undergoes a change of equity that is not attributed to profit, loss, or other comprehensive income and has no impact on the Company's shareholding percentage, the Company will account for changes in ownership interest and its share of equity change in the associated company based on shareholding percentage, and recognize the change as "capital reserve."

Unrealized gains and losses arising from transactions between the Company and associated companies are recognized in corporate financial statements only to the extent of investor's ownership interest in the associated company.

The Company will stop recognizing losses on associated companies when its share of the loss equals or exceeds the value of equity held. The Company will recognize extra losses and liabilities only for legal obligations and constructive obligations occurred, or payments made on behalf of investees.

(9) Investment properties

Investment properties refer to real estate properties that are held for rental income or capital gain, or both, as opposed to normal business activities such as sale, production, supply of products, rendering of services, or administration. Investment properties are initially accounted at cost, and subsequently carried at cost less accumulated depreciation and cumulative impairment. These assets are subject to the same depreciation method and parameters such as useful year and residual value as does property, plant, and equipment.

Gain or loss on disposal of investment property (calculated as the difference between net disposal proceeds and book value of the asset) is recognized through profit or loss.

Rental income from investment properties are recognized as operating revenues using the straight-line method over the lease tenor. Any lease incentives offered are recognized as part of rental income over the lease tenor.

(10) Property, plant, and equipment

1. Recognition and measurement

Property, plant, and equipment are carried at cost (including capitalized borrowing costs) less accumulated depreciation and any cumulative impairment.

Major components of property, plant, and equipment that have different useful lives are accounted as separate categories (of major components).

Gain or loss on disposal of property, plant, and equipment is recognized through profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when the Company is very likely to realize future economic benefits.

3. Depreciation

Depreciation is calculated using the straight-line approach, in which the cost of asset net of residual value is divided by the useful life of each component, and recognized through profit or loss.

No depreciation is provided on land.

The following useful life estimates are used for the current and comparative periods:

Buildings	3-55 years
Machinery equipment	3-15 years
Utility equipment	7-15 years
Transportation equipment	3-10 years
Office equipment	3-11 years
Other equipment	3-50 years

The Company reviews its depreciation method, useful life, and residual value estimates yearly on each reporting date. Changes are made as deemed necessary and appropriate.

4. Reclassification to investment properties

Any self-occupied property that is repurposed into investment property shall have book value at the time of repurpose reclassified into investment property.

(11) Leases

The Company evaluates whether a contract meets the criteria of (or contains

arrangements characterized as) lease on the day of establishment. A contract is considered as lease or deemed to contain lease elements if it involves a transfer of control over identified assets for a period of time in exchange for consideration.

1. As a lessee

The Company recognizes right-of-use assets and lease liabilities on the lease start date. Right-of-use assets are measured at cost at initiation; this cost includes the initial amount of lease liability, adjusted for any lease payments paid on or before the lease start date, plus any initial direct costs incurred and any estimated costs to dismantle/remove the asset and restore the location or the asset to its original state, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life of right-of-use asset or until expiry of the lease tenor, whichever the earlier. Furthermore, the Company regularly assesses right-of-use assets for impairment and accounts for impairment losses as they occur. Right-of-use assets are also adjusted in circumstances where lease liabilities are subject to remeasurement.

Lease liabilities are initially measured as the present value of unpaid lease payments as at the lease start date. Interest rate implicit in a lease is used as the discount rate if it can be easily determined; if the rate can not be easily determined, the Company's incremental borrowing rate will be used as the discount rate instead. In general, the Company uses incremental borrowing rate as the discount rate.

The types of lease payments taken into the calculation of lease liabilities include:

- (1) Fixed payments, including in-kind fixed payments;
- (2) Variable lease payments that are determined by certain index or rate (which are initially measured using index or rate as at the lease start date);
- (3) Amount of residual value guarantee expected to be paid; and
- (4) Amount of strike price or penalty payable, if there is reasonable assurance to exercise the purchasing or termination option.

Lease liabilities subsequently accrue interest using the effective interest approach, and are remeasured in the following circumstances:

- (1) When there is a change in the index or rate used for determining lease payments, which leads to changes in future lease payments;
- (2) When there is a change in the amount of residual value guarantee expected to be paid;



- (3) When there is a change in the assessment of asset purchasing option;
- (4) When there is a change in the likelihood of exercising lease extension/termination option, which may alter expectation about the lease tenor;
- (5) When there is a change in leased asset, scope of lease, or other terms.

When lease liability is remeasured due to: a change in the index or rate used to determine lease payment, a change in guaranteed residual value, or a purchase, extension, or termination of embedded options, a corresponding adjustment is also made to the book value of right-of-use asset at the same time. When book value of the right-of-use asset has been reduced to zero, further remeasurements are recognized through profit or loss instead.

Any contract amendment that reduces the scope of lease is accounted by reducing the book value of right-of-use asset by an amount that reflects partial or total termination of lease arrangement. Any difference between right-of-use asset and remeasured lease liability is recognized through profit or loss.

Right-of-use assets and lease liabilities that do not meet the definition of investment property are presented on the balance sheet as single-line items.

For a contract that contains both lease and non-lease components, the Company would allocate consideration into individual lease components based on relative standalone price. However, when leasing land and building as a lessee, the Company chooses not to separate non-lease component but instead treats lease component and non-lease component as one lease component.

For short-term leases and leases of low-value assets, the Company chooses not to recognize right-of-use asset or liability, but instead recognizes lease payments as expenses over the course of the lease tenor on a straight-line basis.

For any change to the basis for determining future lease payments following an interest rate benchmark reform that takes place on or after January 1, 2021, the Company will adopt an amended discount rate that reflects the reform and discount the revised lease payments in order to measure lease liabilities.

## 2. As a lessor

For lease arrangements where the Company is a lessor, the terms of the lease contract are evaluated to determine whether virtually all risks and returns associated with ownership of the asset are transferred on the day of lease commencement. If so, the contract would be classified as a finance

lease; if not, the asset would be classified as an operating lease. When evaluating leases, the Company takes into consideration whether the lease tenor covers a major portion of the asset's useful life, among other indicators.

For lease arrangements where the Company is an intermediate lessor, the Company accounts for the master lease and the sublease separately, and classifies the sublease based on the right-of-use asset given rise by the master lease. If the master lease is short-term in nature and is exempted from lease recognition, the sublease is classified as operating lease.

For a contract that contains both lease and non-lease components, the Company adopts IFRS 15 and allocates considerations accordingly.

For operating leases, the Company recognizes lease payments collected as rental income over the lease tenor on a straight-line basis.

(12) Impairment of non-financial assets

The Company evaluates non-financial assets (excluding inventory and deferred income tax assets) for signs of impairment in the book value on each reporting date. Assets that exhibit any of the signs will have recoverable amount estimated.

For the purpose of impairment testing, assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets are determined as a smallest identifiable group of assets.

Recoverable amount is determined as fair value less disposal cost or the utilization value of individual asset or cash-generating unit, whichever the higher. Utilization value is assessed by discounting projected cash flows to the present value using the pre-tax discount rate. This discount rate reflects the time value that the market has currently priced for the given currency, and risks that are specific to the given asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit falls below its book value, the difference is recognized as impairment loss.

Impairment losses are immediately recognized through current profit or loss against a reduction to the book value of goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce book values of other assets within the unit on a pro-rated basis (i.e. proportionally based on book value weight of each asset).

For non-financial assets, impairment losses can be reversed provided that doing so does not exceed the book value (net of depreciation or amortization) of the particular asset if impairment losses were not recognized in the first place.

(13) Revenue recognition

1. Revenue from contracts with customers

Income is measured as the amount of consideration expected to receive for the delivery of merchandise or service. The Company recognizes income when control of merchandise or service has been transferred to customers and the contractual obligations fulfilled. A more detailed description by main revenue categories is as follows:

(1) Sale of merchandise

The Company recognizes revenues when control of product has been transferred. Product control is deemed to have transferred upon delivery, at a time when customer is able to exercise full discretion over the use of sales channel and selling price and no unfulfilled obligations exist that may otherwise affect customer's acceptance of the product. Delivery is deemed to have taken place when products are shipped to the designated location where all risks of obsolescence and loss are assumed by the customer, and that the customer accepts the products according to sales contract, thereby voiding the acceptance clause, or under any other circumstances where the Company has objective evidence to prove having satisfied all inspection criteria.

The Company recognizes accounts receivable at the time merchandise is delivered, as the Company has unconditional rights to collect consideration at this point.

(2) Financial component

The Company expects no more than one year between the time at which merchandise or service is transferred to customers and the time at which payment is received for such merchandise or service for all its customers. As a result, no time value adjustment is made to the transaction price.

(14) Employee benefits

1. Defined contribution plan

Contributions to the defined contribution plan are expensed over the duration of employees' service.

2. Short-term employee benefits

Short-term employee benefit obligations are expensed at the time service is rendered. If the Company has a statutory or constructive obligation to pay benefits due to services rendered by employees in the past and such obligation can be estimated reliably, the amount is recognized as liability.

(15) Income tax

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized through profit or loss,

except for amounts that arise in relation to business combination and items that are recognized directly under equity or other comprehensive income.

Based on the Company's judgment, interest and penalties related to income taxes (including uncertainty over income tax treatments) do not meet the definition of income tax, and are therefore subject to the accounting treatment of IAS 37.

Current income tax includes all income taxes refundable/payable for the current year, which is calculated based on current year's taxable income (or loss), plus any adjustment to income tax payable/refundable in previous years. This amount represents the best estimate for the amount payable/collectible using statutory or substantively enacted tax rates as of the reporting date.

Deferred income tax represents the tax impact of temporary differences between asset/liability figures presented for financial reporting purpose and asset/liability figures used for taxation basis. No deferred income tax is recognized on temporary differences that arise under the following circumstances:

1. Initial recognition of assets or liabilities for transactions unrelated to business combination, provided that accounting profit and taxable income (loss) are unaffected at the time of transaction;
2. Temporary differences arising from investment in subsidiaries, associated companies, and joint ventures, where the Company has control over the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

Unused tax losses and tax credits can be carried forward, added to deductible temporary differences, and recognized as deferred income tax assets to the extent that is likely to be offset against taxable income earned in the future. Deferred income tax assets are evaluated on each reporting date. Tax benefits that are not very likely to be realized will be reduced down to the realizable amount, and amounts previously reduced may be reversed up to the point where sufficient taxable income can be generated.

Deferred income tax is calculated using tax rate that is expected to be effective at the time the temporary difference is reversed. In this financial report, the statutory tax rate or substantively enacted tax rate as at the reporting date was used for calculation.

The Company will offset deferred income tax assets against deferred income tax liabilities only when the following conditions are met:

1. When it is legally entitled to offset current income tax assets against current

income tax liabilities; and

2. The deferred income tax assets and deferred income tax liabilities arise in relation to income taxes imposed by the same tax authority, and the tax-paying entities meet any of the following conditions:
  - (1) The tax-paying entities are one and the same; or
  - (2) The tax-paying entities are different, but all entities have the intent to settle current income tax liabilities and assets on a netted basis or realize them at the same time, for every future period in which they expect to recover deferred income tax assets and settle deferred income tax liabilities.

(16) Earnings per share

The Company presents earnings per share attributable to the Company's common shareholders in basic and diluted terms. Basic earnings per share of the Company is calculated by dividing the amount of profits attributable to the Company's common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after adjusting the amount of profits attributable to the Company's common shareholders and weighted average number of common shares for the dilutive effect of potential common shares.

(17) Segment information

An operating segment is a section of the Company that generates income and incurs expenses as part of its activities (including income and expenses from transacting with other sections of the Company). Operating results of all segments are reviewed regularly by the Company's main decision maker for resource allocation and performance evaluation. All operating segments report financial information separately.

**5. Sources of uncertainty in significant accounting judgments, estimates, and assumptions**

When preparing financial statements in compliance with the Preparation Regulations, the management is required to make judgments, estimates, and assumptions in accordance with FSC-approved IFRS. These judgments, estimates, and assumptions may affect adoption of accounting policies and amounts of asset, liability, income, and expense reported. The actual outcome may differ from initial estimates.

The management examines its estimates and assumptions on an ongoing basis. Impacts from changes in accounting estimate are recognized in the year the changes take place and in future years when impacts materialize.

Accounting policies that involve significant judgment and have material effect on

the amounts recognized in the financial statements are explained below:

(1) Note 6(7), classification of investment properties

The Company leased out one idle factory premise and land that are held with the intention of generating long-term capital gain or rental income, and therefore reclassified the asset as investment property.

The following assumptions and estimates involve uncertainties that may pose significant risk of material adjustments being made to the book value of assets and liabilities in the next financial year, and are considered to have reflected the impact of COVID-19. Detailed explanation is as follows:

(1) Valuation of inventory

Due to the fact that inventory is measured at the lower of cost and net realizable value, the Company assesses inventory on each reporting date for any decrease in sales value due to normal wear, obsolescence, or absence of market demand, and reduces inventory cost to net realizable value accordingly. Inventory valuation is conducted by estimating product demand within a specific period of time in the future, which may vary significantly due to rapid industry development. For details on inventory valuation, please refer to Note 6(4).

**Valuation process**

The Company's accounting policies and disclosures include fair value assessments of financial and non-financial assets and liabilities. The Company has implemented internal control systems for fair value measurement; it reviews significant unobservable inputs on a regular basis and makes adjustments accordingly. In situations where information sourced from an external third party (such as broker or pricing service provider) is used as fair value input, the valuation panel will evaluate supporting evidence that the third party has provided for the input, in order to ensure that fair value assessment and classification both conform with International Financial Reporting Standards.

When measuring assets and liabilities, the Company uses observable inputs available on the market wherever possible. Levels of fair value assessment are classified based on the types of input used:

- (1) Level 1: Open market quotation (unadjusted) for the same asset or liability.
- (2) Level 2: Inputs/parameters that are directly observable (i.e. price) or indirectly observable (i.e. inferred from price), other than level 1 inputs (open market quotation).
- (3) Level 3: Market inputs/parameters that are not observable (non-observable parameters).

**Policy on changes between fair value inputs**

Any transfer between levels of fair value assessment is recognized by the

Company on the reporting date.

### More information on the assumptions adopted for fair value assessment

Please see Note 6(18) for details on the assumptions adopted for fair value assessment.

## 6. Notes to major accounts

### (1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Reserve cash	\$ 130	\$ 130
Check deposit	56,959	80,980
Demand deposit	2,798	3,412
Foreign currency deposit	11,813	74,033
Cash and cash equivalents presented in the cash flow statement	<u>\$ 71,700</u>	<u>158,555</u>

Please see Note 6(18) for detailed disclosure of interest rate risk and sensitivity analysis on the Company's financial assets and liabilities.

### (2) Financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instruments at fair value through other comprehensive income		
Current:		
Domestic TWSE/TPEX listed shares	\$ 3	3
Non-current:		
Domestic unlisted shares	3,147	10,369
Total	<u>\$ 3,150</u>	<u>10,372</u>

#### 1. Equity instruments at fair value through other comprehensive income

This category of equity instruments is held as strategic investments and not for trading, and therefore are designated to be measured at fair value through other comprehensive income.

In 2021 and 2020, the Company did not dispose of any strategic investment or transfer any cumulative gain or loss under equity.

2. Please see Note 6(18) for detailed information on market risk.

3. None of the Company's financial assets was pledged as collateral.

### (3) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable - arising from business activities	\$ 53,878	57,301
Notes receivable - related parties - arising from	39,922	29,062

business activities		
Accounts receivable - at amortized cost	36,973	48,517
Accounts receivable - related parties - at amortized cost	5,632	-
Overdue receivables (presented as other non-current assets)	-	16,112
Less: loss provisions	-	(16,112)
	<u>\$ 136,405</u>	<u>134,880</u>

The Company adopted the simplified approach to estimate expected credit loss on all notes and accounts receivable, which involved measuring expected credit loss for the duration of its receivables. To facilitate this approach, notes and accounts receivable were divided into several groups using common credit risk characteristics for assessing customers' ability to pay contractual sum at maturity. This approach incorporates the use of forward-looking information. Expected credit loss analysis for notes and accounts receivable is explained below:



	<b>December 31, 2022</b>		
	<b>Book value of notes and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Provision for expected credit loss over the remaining duration</b>
Normal	\$ 136,388	0.00%	-
Overdue 1 - 120 days	17	0.00%	-
Overdue 121 - 365 days	-	10.00%	-
Overdue 365 days and above	-	100.00%	-
	<b><u>\$ 136,405</u></b>		<b><u>-</u></b>

	<b>December 31, 2021</b>		
	<b>Book value of notes and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Provision for expected credit loss over the remaining duration</b>
Normal	\$ 133,981	0.00%	-
Overdue 1 - 120 days	899	0.00%	-
Overdue 121 - 365 days	-	10.00%	-
Overdue 365 days and above	16,112	100.00%	16,112
	<b><u>\$ 150,992</u></b>		<b><u>16,112</u></b>

Changes in loss provision on notes receivable and accounts receivable are shown below:

	<b>2022</b>	<b>2021</b>
Opening balance (i.e. closing balance)	<b><u>\$ -</u></b>	<b><u>16,112</u></b>

None of the Company's notes receivable and accounts receivable was placed as collateral as at December 31, 2022 and 2021.

(4) Inventory

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Finished goods	\$ 305,961	396,609
Less: loss provisions	<u>(32,266)</u>	<u>(64,028)</u>
Subtotal	<u>273,695</u>	<u>332,581</u>
Work-in-progress	199,190	163,638
Less: loss provisions	<u>(2,580)</u>	<u>(190)</u>
Subtotal	<u>196,610</u>	<u>163,448</u>
Raw materials	49,604	63,086
Less: loss provisions	<u>-</u>	<u>-</u>
Subtotal	<u>49,604</u>	<u>63,086</u>
Supplies	48,489	49,468
Less: loss provisions	<u>(27,303)</u>	<u>(27,548)</u>
Subtotal	<u>21,186</u>	<u>21,920</u>
	<b><u>\$ 541,095</u></b>	<b><u>581,035</u></b>

1. Allowance for inventory devaluation

	<b>2022</b>	<b>2021</b>
Beginning retained earnings	\$ 91,766	98,203
Recognition of inventory devaluation losses (reversal gains)	<u>(29,617)</u>	<u>(6,437)</u>
Closing balance	<b><u>\$ 62,149</u></b>	<b><u>91,766</u></b>

2. Detailed breakdown of cost of sale:

	<b>2022</b>	<b>2021</b>
Reclassification of inventory sold	\$ 2,978,644	2,843,878
Inventory devaluation losses (reversal gains)	(29,617)	(6,437)
Income from sale of scrap	(2,468)	(3,454)
Materials outsourced for processing	(1,845)	(66,166)
Others (Note)	<u>(6,928)</u>	<u>3,954</u>
	<b><u>\$ 2,937,786</u></b>	<b><u>2,771,775</u></b>

3. In 2022 and 2021, the Company reversed inventory devaluation losses that it had previously recognized, as the net realizable value of inventory increased with rising demand and market selling price.

4. None of the Company's inventory was pledged as collateral.

(5) Investments accounted using the equity method

The Company's equity-accounted investments as at the reporting date are presented below:

**December 31, December 31,**

	<b>2022</b>	<b>2021</b>
Associated companies	<b>\$ 64,142</b>	<b>50,998</b>

1. Associated companies

Information of associated companies that are significant to the Company:

Name of associated company	Nature of relationship with the Company	Main business activities Place/ country of registration	Percentage of ownership/voting right	
			December 31, 2022	December 31, 2021
Da Yi International Development Co., Ltd.	Development of residential and commercial buildings	Taiwan	7.10%	6.19%

In February 2022, our company participated in a cash capital increase of TWD 6,187 thousand in Daiyi International Development Co., Ltd. according to our shareholding percentage. Subsequently in May 2022, our company purchased 1,000,000 shares from non-related parties at a price of TWD 19 per share, with a total price of TWD 19,000 thousand. This increased our company's shareholding percentage from 6.19% to 7.10%, and resulted in a decrease of TWD 10,657 thousand in accumulated gains and losses.

The following is an aggregate disclosure of financial information for the Company's significant associated companies. The figures reported on IFRS-compliant financial statements of each associated company have been adjusted to reflect the amount of adjustments the Company had made for fair value and differences in accounting policy at the time of acquisition:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current assets	\$ 22,075	33,547
Non-current assets	1,857,302	1,857,302
Current liabilities	(93,326)	(93,106)
Non-current liabilities	(881,936)	(973,540)
Net asset	<b>\$ 903,836</b>	<b>824,203</b>
Net asset attributable to non-controlling owners	\$ -	-
Net asset attributable to owners of the investee	<b>\$ 903,836</b>	<b>824,203</b>
	<b>2022</b>	<b>2021</b>
Operating revenues	<b>\$ 4,809</b>	<b>4,884</b>
Current net income (loss) from continuing operations	\$ (20,368)	(19,240)
Total comprehensive income	<b>\$ (20,368)</b>	<b>(19,240)</b>

Total comprehensive income attributable to non-controlling owners	\$	-	-
Total comprehensive income attributable to owners of the investee	\$	(20,368)	(19,240)
		<b>2022</b>	<b>2021</b>
Share of associated company's net asset - opening	\$	50,998	53,426
Share of net asset in associated companies acquired in the current period		14,530	-
Total comprehensive income attributable to the Company - current		(1,386)	(2,428)
Share of associated company's net asset - closing		64,142	50,998
Closing book value of equity in associated company	\$	<b>64,142</b>	<b>50,998</b>

## 2. Collaterals

None of the Company's equity-accounted investment was pledged as collateral as at December 31, 2022 and 2021.

## (6) Property, plant and equipment

Changes in cost and accumulated depreciation of the Company's property, plant, and equipment for 2022 and 2021 are explained below:

	Land	Buildings	Machinery equipment	Utility equipment	Transportation equipment	Office equipment	Other equipment	Leased assets	Construction in progress and equipment pending inspection	Total
Cost:										
Balance as at January 1, 2022	\$ 742,912	552,874	3,491,372	227,013	17,497	24,243	259,341	209,797	19,072	5,544,121
Addition	-	-	7,411	-	686	182	798	-	23,942	33,019
Disposal/scrapping	-	-	(13,949)	-	(392)	-	(2,000)	-	-	(16,341)
Reclassification	(16,077)	13,679	18,805	-	-	-	-	1,388	(39,213)	(21,418)
Balance as at December 31, 2022	<b>\$ 726,835</b>	<b>566,553</b>	<b>3,503,639</b>	<b>227,013</b>	<b>17,791</b>	<b>24,425</b>	<b>258,139</b>	<b>211,185</b>	<b>3,801</b>	<b>5,539,381</b>
Balance as at January 1, 2021	\$ 742,912	544,245	3,448,627	226,766	15,169	23,906	259,027	211,081	12,881	5,484,614
Addition	-	592	5,462	1,273	-	144	552	-	34,087	42,110
Disposal/scrapping	-	-	(808)	-	(810)	(205)	(2,488)	-	-	(4,311)
Reclassification	-	8,037	38,091	(1,026)	3,138	398	2,250	(1,284)	(27,896)	21,708
Balance as at December 31, 2021	<b>\$ 742,912</b>	<b>552,874</b>	<b>3,491,372</b>	<b>227,013</b>	<b>17,497</b>	<b>24,243</b>	<b>259,341</b>	<b>209,797</b>	<b>19,072</b>	<b>5,544,121</b>
Accumulated depreciation:										
Balance as at January 1, 2021	\$ -	346,477	3,385,841	224,956	17,172	23,469	240,297	134,595	-	4,3372,807
Depreciation	-	12,554	29,656	1,199	93	375	3,024	13,324	-	60,225
Disposal/scrapping	-	-	(13,856)	-	(392)	-	(2,000)	-	-	(16,248)
Reclassification	-	(3,365)	-	-	-	-	-	-	-	(3,365)
Balance as at December 31, 2022	<b>\$ -</b>	<b>355,666</b>	<b>3,401,641</b>	<b>226,155</b>	<b>16,873</b>	<b>23,844</b>	<b>241,321</b>	<b>147,919</b>	<b>-</b>	<b>4,413,419</b>
Balance as at January 1, 2021	\$ -	335,140	3,350,096	223,610	15,020	23,256	239,886	125,011	-	4,312,019
Depreciation	-	11,337	36,553	1,169	163	418	2,899	12,560	-	65,099
Disposal/scrapping	-	-	(808)	-	(810)	(205)	(2,488)	-	-	(4,311)

	Land	Buildings	Machinery equipment	Utility equipment	Transportation equipment	Office equipment	Other equipment	Leased assets	Construction in progress and equipment pending inspection	Total
Reclassification	-	-	-	-	<u>2,799</u>	-	-	<u>(2,799)</u>	-	-
Balance as at December 31, 2021	<u>\$ -</u>	<u>346,477</u>	<u>3,385,841</u>	<u>224,779</u>	<u>17,172</u>	<u>23,469</u>	<u>240,297</u>	<u>134,772</u>	=	<u>4,372,807</u>
Book value:										
December 31, 2022	<u>\$ 726,835</u>	<u>210,887</u>	<u>101,998</u>	<u>858</u>	<u>918</u>	<u>581</u>	<u>16,818</u>	<u>63,266</u>	<u>3,801</u>	<u>1,125,962</u>
January 1, 2021	<u>\$ 742,912</u>	<u>209,105</u>	<u>98,531</u>	<u>3,156</u>	<u>149</u>	<u>650</u>	<u>19,141</u>	<u>86,070</u>	<u>12,881</u>	<u>1,172,595</u>
December 31, 2021	<u>\$ 742,912</u>	<u>206,397</u>	<u>105,531</u>	<u>2,234</u>	<u>325</u>	<u>774</u>	<u>19,044</u>	<u>75,025</u>	<u>19,072</u>	<u>1,171,314</u>

1. On September 2, 2019, the Company purchased land located at Fengshukeng Section, Guishan District, Taoyuan City for a sum of NT\$40,590 thousand (including other acquisition costs). Due to the fact that the land was registered for agricultural use, the laws require the purpose of land to be changed before ownership transfer. For this reason, arrangements were made to have the land registered under the title of a natural person, and a mandate contract has been signed with the registered owner along with the completion of asset security measures. Ownership of the property will be transferred to the Company at an appropriate time.
2. Please see Note 8 for details on bank borrowings and collaterals pledged to secure credit limits as at December 31, 2022 and 2021.

(7) Investment properties

Change of investment properties in 2022 and 2021 is explained below:

	<b>Land and increase from revaluation</b>	<b>Buildings</b>	<b>Total</b>
Cost:			
Balance as at January 1, 2022	<b>\$ 321,131</b>	<b>433,966</b>	<b>755,097</b>
Addition	\$ -	190	190
Reclassification	16,077	7,451	23,528
Balance as at December 31, 2022	<b>\$ 337,208</b>	<b>441,607</b>	<b>778,815</b>
Balance as at January 1, 2021	<b>\$ 321,131</b>	<b>433,966</b>	<b>755,097</b>
Balance as at December 31, 2021	<b>\$ 321,131</b>	<b>433,966</b>	<b>755,097</b>
Accumulated depreciation:			
Balance as at January 1, 2021	\$ -	96,923	93,923
Depreciation	\$ -	7,646	7,646
Reclassification	-	3,365	3,365
Balance as at December 31, 2021	<b>\$ -</b>	<b>107,934</b>	<b>107,934</b>
Balance as at January 1, 2021	\$ -	89,186	89,186
Depreciation	-	7,737	7,737
Balance as at December 31, 2021	<b>\$ -</b>	<b>96,923</b>	<b>96,923</b>
Book value:			
December 31, 2022	<b>\$ 337,208</b>	<b>333,673</b>	<b>670,881</b>
January 1, 2021	<b>\$ 321,131</b>	<b>344,780</b>	<b>665,911</b>
December 31, 2021	<b>\$ 321,131</b>	<b>337,043</b>	<b>658,174</b>
Fair value:			
December 31, 2022			<b>\$ 1,362,781</b>
December 31, 2021			<b>\$ 1,352,170</b>

1. Fair value of investment properties is determined based on market price of nearby areas and valuation by independent valuer (one that possesses relevant and professional qualification and recent experience in valuing investment properties of similar location and category). The fair value assessment made use of level 3 input.
2. Please see Note 8 for details on bank borrowings and collaterals pledged to secure credit limits as at December 31, 2022 and 2021.

(8) Short-term borrowings

Detailed breakdown of short-term borrowings:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowing under L/C	\$ 137,000	2439,505
Unsecured borrowing under L/C	-	-
Secured bank borrowing	-	-
Unsecured bank borrowing	38,402	10,000
Total	<u>\$ 175,402</u>	<u>249,505</u>
Unused limit	<u>\$ 414,698</u>	<u>415,101</u>
Interest rate range	<u>1.70%~1.79%</u>	<u>1.20%</u>

For details on bank borrowings secured by the Company's assets, please see Note 8.

(9) Long-term borrowing

Detailed breakdown of long-term borrowings:

	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Interest rate range</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured bank borrowing	NTD	1.98%~2.29%	2025~2039	\$ 720,722
Less: portion maturing within 1 year				<u>(67,028)</u>
Total				<u>\$ 653,694</u>
Unused limit				<u>\$ -</u>

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Interest rate range</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured bank borrowing	NTD	1.35%~1.52%	2025~2039	\$ 770,250
Less: portion maturing within 1 year				<u>(49,528)</u>
Total				<u>\$ 720,722</u>
Unused limit				<u>\$ -</u>

For details on bank borrowings secured by the Company's assets, please see Note 8.

(10) Operating lease - as a lessor

The Company leases out its investment properties, and classifies these leases as operating lease considering that there is no transfer of virtually all risks and returns associated with ownership of the underlying asset. Please see Note 6(8) - Investment property for details.

Maturity analysis on lease payments is performed using the sum of undiscounted lease payments expected to be collected after the reporting date,

and is presented in the following chart:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Less than 1 year	\$ 37,143	33,322
1 to 2 years	34,374	33,180
2 to 3 years	28,562	30,588
3 to 4 years	28,374	24,914
4 to 5 years	27,614	24,724
More than 5 years	45,167	48,000
Sum of undiscounted lease payments	<b><u>\$ 201,234</u></b>	<b><u>194,728</u></b>

Rental income generated from investment properties totaled NT\$38,474 thousand in 2022 and NT\$33,636 thousand in 2021.

(11) Employee benefits

Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act, in which the Company contributes an amount equal to 6% of employees' salaries each month to employees' pension accounts held with the Bureau of Labor Insurance. Under this plan, the Company would be freed of pension obligations (whether legal or constructive) once it has contributed this amount to the Bureau of Labor Insurance.

Pension expenses recognized for the defined contribution plan in 2022 and 2021 are explained below, which have been contributed to the Bureau of Labor Insurance:

	<b>2022</b>	<b>2021</b>
Operating costs	\$ 4,604	4,754
Administrative expenses	577	525
Total	<b><u>\$ 5,181</u></b>	<b><u>5,279</u></b>



(12) Income tax

1. Below are details of the Company's income tax expenses (benefits) for 2021 and 2020:

	<u>2022</u>	<u>2021</u>
Current income tax expense	\$ -	-
Deferred income tax expense (benefit)	685	(35)
Income tax expense (benefit)	<u>\$ 685</u>	<u>(35)</u>

Reconciliation of income tax expense (benefit) and pre-tax profit (loss),  
2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pre-tax profit (loss)	<u>\$ 99,726</u>	<u>(106,276)</u>
Income tax calculated using the local tax rate	19,945	21,255
Land value increment tax	-	-
Recognition of unrecognized tax losses from previous years	(13,646)	(20,453)
Change in unrecognized temporary difference	(5,617)	(814)
Tax-exempt income	3	(23)
Income tax expense (benefit)	<u>\$ 685</u>	<u>(35)</u>

2. Deferred income tax assets and liabilities

- (1) Items not recognized as deferred income tax asset

The following items were not recognized as deferred income tax asset:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax losses	\$ 175,082	205,946
Others	18,281	23,898
	<u>\$ 210,556</u>	<u>229,844</u>

Tax losses, as defined in the Income Tax Act, are losses certified by the tax authority in the last 10 years that can be taken to reduce current year's taxable income before applying the income tax rate. Tax losses were not recognized as deferred income tax asset because the Company is not very likely to generate adequate taxable income to offset tax losses in the future.

- (2) Recognized amounts of deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2022 and 2021 are explained below:

Deferred income tax liabilities:

	<b>Incremental land value from revaluation</b>	<b>Others</b>	<b>Total</b>
<b>Balance as at January 1, 2022</b>	\$ 223,456	149	223,605
(Credits) debits to income statement	-	685	685
<b>Balance as at December 31, 2022</b>	<b>\$ 223,456</b>	<b>834</b>	<b>224,290</b>
<b>Balance as at January 1, 2021</b>	\$ 223,456	184	223,640
(Credits) debits to income statement	-	(35)	(35)
<b>Balance as at December 31, 2021</b>	<b>\$ 223,456</b>	<b>149</b>	<b>223,605</b>

Deferred income tax assets:

	<b>Loss carried forward</b>	<b>Others</b>	<b>Total</b>
<b>Balance as at January 1, 2022</b>	<b>\$ 36,000</b>	-	<b>36,000</b>
<b>Balance as at December 31, 2022</b>	<b>\$ 36,000</b>	-	<b>36,000</b>
<b>Balance as at January 1, 2021</b>	<b>\$ 36,000</b>	-	<b>36,000</b>
<b>Balance as at December 31, 2021</b>	<b>\$ 36,000</b>	-	<b>36,000</b>

(3) Tax losses not yet deducted as at December 31, 2022 have the following expiries:

<u>Year of loss</u>	<u>Losses not yet deducted</u>	<u>Final year available for deduction</u>
2013	331,285	2023
2014	282,482	2024
2015	253,230	2025
2016	46,191	2026
2020	142,222	2030
	<b>\$ 1,055,410</b>	

3. Assessment of income tax return

The Company's profit-seeking enterprise income tax returns have been certified by the tax authority up until 2020.

(13) Capital and other equity items

1. Issuance of common shares

The Company had authorized capital of \$3,500,000 thousand as at December 31, 2022 and 2021, available in 350,000,000 shares at a face value of NT\$10 per share. 132,112,000 shares were outstanding on both dates. All issued shares had been fully paid up.

Private placement of securities as at December 31, 2021:

<b>Type of security</b>	<b>Time of issuance</b>	<b>Number of shares issued (thousands)</b>	<b>Price of private placement per share (NTD)</b>	<b>Amount of privately placed share capital (NTD thousands)</b>
Common share	June 17, 2015	30,000	\$ 6.5	\$ 195,000

The above private placement of common shares and subsequent distribution of stock dividends are subject to comply with Article 43-8 of the Security and Exchange Act. A public offering request for the above shares can be submitted to the Financial Supervisory Commission 3 years after the day the privately placed common shares are delivered, and only then can requests be raised with Taiwan Stock Exchange Corporation for TWSE listing.

2. Retained earnings

According to the Articles of Incorporation, the Company may distribute earnings or use them to reimburse losses on a half-yearly basis. Any earnings concluded at the end of each half-year shall first be taken to offset cumulative losses (including adjustment of unappropriated earnings) followed by a 10% provision for legal reserve unless the legal reserve has accumulated to an amount equal to paid-up capital. The remaining balance of net income is then subject to provision or reversal of special reserve pursuant to laws or the authority's instructions. Part of the earnings may be retained, and the remaining balance can be added to cumulative unappropriated earnings carried from the previous half-year (including adjustment of unappropriated earnings) and proposed for distribution by the board of directors. Distribution through issuance of new shares will have to be resolved in a shareholder meeting; distribution in cash is subject to resolution of the board of directors.

Any current net income concluded at year-end closing shall first be taken to offset cumulative losses (including adjustment of unappropriated earnings), followed by a 10% provision for legal reserve unless the legal reserve has accumulated to an amount equal to paid-up capital. The

remaining balance of net income is then subject to provision or reversal of special reserve pursuant to laws or the authority's instructions. Part of the earnings may be retained, and the remaining balance can be added to cumulative unappropriated earnings carried from the previous half-year (including adjustment of unappropriated earnings), which the board of directors may propose to distribute in the form of dividends for shareholders' resolution.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic/foreign competition, and shareholders' interests. No less than 10% of distributable earnings from the above shall be paid as dividend each year. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 10% of total dividends.

(1) Legal reserve

The Company may distribute legal reserve in cash or in new shares in the absence of cumulative losses, subject to resolution in a shareholder meeting; however, only the amount of legal reserve that exceeds 25% of paid-up capital is distributable.

(2) Earnings distribution

The Company's 2021 loss reimbursement proposal was resolved during the annual general meeting held on June 29, 2022. No earning was available for distribution in 2021 as the Company reported cumulative losses.

The Company's 2020 loss reimbursement proposal was resolved during the annual general meeting held on June 4, 2021. No earning was available for distribution in 2020 as the Company reported cumulative losses.

(14) Earnings (losses) per share

Calculation of basic and diluted earnings (losses) per share is explained below:

	<b>2022</b>	<b>2021</b>
Net income (loss) attributable to common shareholders of the Company	<u><u>\$ 99,041</u></u>	<u><u>106,311</u></u>
Weighted average outstanding common shares	<u>132,112</u>	<u>132,112</u>
Basic and diluted earnings (losses) per share	<u><u>\$ 0.75</u></u>	<u><u>0.80</u></u>

(15) Revenue from contracts with customers

1. Breakdown of income

	<u>2022</u>	<u>2021</u>
Main regions and markets:		
Taiwan	2,759,135	2,540,356
Other countries	386,798	424,970
	<u><b>\$ 3,145,933</b></u>	<u><b>2,965,326</b></u>
Main products:		
Polyester filament	\$ 2,176,878	\$ 2,145,368
Polyester chip	949,787	732,437
Yarn	15,546	84,745
Others	3,722	2,776
	<u><b>\$ 3,145,933</b></u>	<u><b>2,965,326</b></u>

2. Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes and accounts receivable (including related parties and overdue balance)	\$ 136,405	150,992	144,844
Less: loss provisions	-	(16,112)	(16,112)
Total	<u><b>\$ 136,405</b></u>	<u><b>134,880</b></u>	<u><b>128,732</b></u>
Contractual liabilities	<u><b>\$ 31,313</b></u>	<u><b>87,151</b></u>	<u><b>28,834</b></u>

Please refer to Note 6(3) for disclosures on notes and accounts receivable and impairment.

Contractual liabilities arise mainly as a result of advance receipts collected on merchandise sales contracts; these liabilities are reclassified into income at the time merchandise is handed over to customers.

NT\$87,151 thousand and NT\$28,834 thousand of opening contractual liabilities as at January 1, 2022 and 2021, were later recognized as income for 2022 and 2021, respectively.

(16) Remuneration to employees, directors, and supervisors

According to the Articles of Incorporation, profits concluded in a year (refers to profit before tax, employee remuneration, and director/supervisor remuneration) are subject to employee remuneration of 2% and director/supervisory remuneration of no more than 2%. However, profits must first be reserved to offset against cumulative losses (including adjustment of unappropriated earnings) if any. Employee remuneration in the preceding paragraph can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria set forth by

the board of directors. The director/supervisor remuneration mentioned in the preceding paragraph may be paid in cash only.

The Company reported cumulative losses in 2022 and 2021, and therefore was not required to allocate remuneration for employees, directors, or supervisors. Visit the Market Observation Post System for more information.

(17) Non-operating income and expense

1. Interest income

Breakdown of interest income of the Company:

	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 73</u>	<u>14</u>

2. Other income

Breakdown of other income of the Company:

	<u>2022</u>	<u>2021</u>
Rental income (Note)	\$ 21,831	19,520
Others	1,824	2,989
	<u>\$ 23,655</u>	<u>22,509</u>

Note: NT\$16,643 thousand and NT\$16,116 thousand of depreciation expenses were presented as contra items to rental income in 2022 and 2021, respectively.

3. Other gains and losses

Breakdown of other gains and losses of the Company:

	<u>2022</u>	<u>2021</u>
Gain on disposal of property, plant, and equipment	\$ (93)	3,038
Loss on currency exchange	7,843	(1,689)
Government grant income	507	-
Gain on financial assets at fair value through profit or loss	(2)	128
	<u>\$ 8,255</u>	<u>1,477</u>

4. Financial cost

Breakdown of financial cost of the Company:

	<u>2022</u>	<u>2021</u>
Interest expenses	<u>\$ 15,379</u>	<u>14,684</u>

(18) Financial instruments

1. Credit risk

(1) Amount of maximum credit risk exposure

For financial assets, the book value represents the maximum credit risk exposure.

(2) Concentration of credit risk

There was no significant concentration of sales to any single customer as the Company sells to a broad customer base and diverse locations. As a result, there was no significant concentration of credit risk in accounts receivable. The Company also monitors customers' financial position on a regular basis as a means to reduce credit risk, and generally does not require collaterals from customers.

(3) Credit risk of receivables and debt securities

For credit risk information on notes receivable and accounts receivable, please refer to Note 6(3).

There was no overdue collection of other financial assets carried at amortized cost or other receivables in 2022 or 2021, hence no loss provision was made.

The financial assets mentioned above are deemed to be of low risk, therefore provisions are made based on 12-month expected credit loss (please see Note 4(6) for details on the methods taken to establish low credit risk).

2. Liquidity risk

The following shows the expiry dates of financial liabilities, including estimated interest but excluding the effect of net agreements.

	<u>Book amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>December 31, 2022</b>						
Floating rate instruments	\$ 896,124	949,200	253,212	83,246	359,825	252,917
Non-interest bearing liabilities	281,997	281,997	281,997	-	-	-
	<b><u>\$1,178,121</u></b>	<b><u>1,231,197</u></b>	<b><u>535,209</u></b>	<b><u>83,246</u></b>	<b><u>359,825</u></b>	<b><u>252,917</u></b>
<b>December 31, 2021</b>						
Floating rate instruments	\$ 1,019,755	1,083,520	310,716	76,817	420,280	275,707
Non-interest bearing liabilities	352,794	352,794	352,794	-	-	-
	<b><u>\$1,372,549</u></b>	<b><u>1,436,314</u></b>	<b><u>663,510</u></b>	<b><u>76,817</u></b>	<b><u>420,280</u></b>	<b><u>275,707</u></b>

The Company does not expect cash flows in the maturity analysis to occur at any earlier time, or in amounts that differ significantly.

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company had the following financial assets and liabilities that were exposed to significant foreign currency/exchange rate risk:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						

<u>Monetary items</u>							
USD	\$	625	30.71	19,194	1,927	27.68	53,339
JPY		1-	-	-100,000		0.24	24,050
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		13	30.71	399	20	27.68	554

(2) Sensitivity analysis

Exchange rate risk of the Company arises primarily from the conversion of cash, cash equivalents, and accounts receivable denominated in foreign currencies. Conversion of foreign currency-denominated amounts gives rise to gains/losses on exchange. If NTD weakened/strengthened against USD and JPY by 1% while all other factors remained unchanged as at December 31, 2022 and 2021, profit before tax would have increased/decreased by NT\$188 thousand and NT\$768 thousand, respectively, in 2022 and 2021. Analyses for the two periods were conducted on the same basis.

4. Interest rate risk

Interest rate risk exposure concerning the Company's financial liabilities has been explained as part of liquidity risk management in this footnote.

The following sensitivity analysis has been prepared based on interest rate risk exposures of derivatives and non-derivatives as at the reporting date. For liabilities that bear floating interests, the analysis is conducted by assuming that the amount of liabilities outstanding as at the reporting date remained outstanding throughout the entire year. Interest rate sensitivity analyses are reported to the management by applying a variance of 1% above and below. This variance conforms with the management's expectation about the possible and reasonable range of interest rate variation.

If interest rate increased/decreased by 1% while other variables remained unchanged, the Company's pre-tax profit would have decreased/increased by NT\$8,815 thousand and NT\$9,423 thousand in 2022 and 2021, respectively. This is primarily attributed to floating rate borrowings.

5. Fair value information

(1) Category and fair value of financial instruments

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. Book value and fair value of financial assets and liabilities are shown below (categorized by level of fair value



input; however, it is not required to disclose fair value information for financial instruments that are not subject to fair value assessment and where the book value resembles the fair value):

	<b>December 31, 2022</b>				
	<b>Book amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through other comprehensive income</b>					
TWSE/TPEX listed shares	\$ 3	3	-	-	3
Equity instruments without open quotation carried at fair value	<u>3,147</u>	<u>-</u>	<u>-</u>	<u>3,147</u>	<u>3,147</u>
<b>Total</b>	<b><u>\$ 3,150</u></b>	<b><u>3</u></b>	<b><u>-</u></b>	<b><u>3,147</u></b>	<b><u>3,150</u></b>

	<b>December 31, 2021</b>				
	<b>Book amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through other comprehensive income</b>					
TWSE/TPEX listed shares	\$ 3	3	-	-	3
Equity instruments without open quotation carried at fair value	<u>10,369</u>	<u>-</u>	<u>-</u>	<u>10,369</u>	<u>10,369</u>
<b>Total</b>	<b><u>\$ 10,372</u></b>	<b><u>3</u></b>	<b><u>-</u></b>	<b><u>10,369</u></b>	<b><u>10,372</u></b>

- (2) Fair value assessment techniques for financial instruments not carried at fair value

The Company adopts the following methods and assumptions to estimate the value of instruments that are not carried at fair value:

- (2.1) Financial assets and liabilities carried at amortized cost

Where transaction data or quotation from a market maker exists, the latest transaction price or quotation is used as the fair value. If no indicative market value is available, fair value shall be estimated using the valuation approach. In the valuation approach, fair value is estimated by calculating the present value of future cash flows.

- (3) Fair value assessment techniques for financial instruments carried at fair value

Financial instruments that are openly quoted in an active market will have fair value determined at the openly quoted price. Fair values of

public-listed (OTC-traded) equity instruments openly quoted in active markets are determined using market prices quoted on major exchange and OTC center for actively traded government bonds.

A financial instrument is deemed to be openly quoted on an active market if reliable quotations (that are representative of transactions actually and frequently taking place in a fair market) can be obtained from stock exchange, brokers, underwriters, industry associations, pricing institutions, or the authority on a timely and frequent basis. A market is deemed inactive if it fails to satisfy the above conditions. In general, increasing or excessive bid-ask spread and lack of transaction volume are considered signs of inactive market.

Financial instruments held by the Company are classified into the following categories based on how fair value is determined:

- Financial instruments with active market: refers to public listed and OTC-traded shares. Their fair values are determined based on market quotations.
- Financial instruments without active market: Fair value is estimated using the comparable company approach, which infers the investee's value based on market quotations and net worth multiples of comparable public-listed (or OTC-traded) companies. This estimate has already been adjusted and discounted for equity security's lack of marketability.

(4) Change between level 1 and level 2: None.

(5) Details of level 3 changes

	<b>At fair value through other comprehensive income</b>
	<b>Equity instruments without open quotation</b>
January 1, 2022	\$ 10,369
Recognized in other comprehensive income	(7,222)
December 31, 2022	<b><u>\$ 3,147</u></b>
January 1, 2021	\$ 10,369
December 31, 2021	<b><u>\$ 10,369</u></b>

The above total gains or losses are presented as “Unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income.” Amounts relating to assets held as at December 31, 2022 and 2021, are explained below:

	<u>2022</u>	<u>2021</u>
Total gains or losses		
Recognized as other comprehensive income (presented as “unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income”)	<b><u>\$ (7,222)</u></b>	<u>-</u>

(6) Quantitative information of significant and unobservable fair value input (level 3)

Assets that involve the use of level 3 fair value input are financial assets at fair value through other comprehensive income - equity securities, which are equity instruments without active market.

Valuation techniques and significant unobservable inputs used to determine fair value for this type of equity instruments are explained below:

<u>Section</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship between fair value and significant unobservable input</u>
Financial assets at fair value through other comprehensive income - equity instruments	Comparable listed company approach	<ul style="list-style-type: none"> <li>· Price-to-book multiple (4.77 and 2.13 as at December 31, 2022 and 2021, respectively)</li> <li>· Discount for lack of</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the multiple, the higher the fair value.</li> <li>· The higher discount for lack</li> </ul>

<u>Section</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Relationship between fair value and significant unobservable input</u>
without active market		liquidity (50% and 25% as at December 31, 2022 and 2021, respectively)	of liquidity, the lower the fair value

- (7) Sensitivity of reasonable, possible alternative assumptions on fair value, for items that are subject to level 3 fair value input

The Company considers its fair value assessment of financial instruments to be reasonable, but uses of different valuation model or parameter may lead to different results. For financial instruments that involve the use of level 3 input, impacts on current other comprehensive income in the event of a change in valuation parameter are explained below:

	<u>Input</u>	<u>Upward/downward variation</u>	<u>Fair value changes reflected in other comprehensive income</u>	
			<u>Favorable variation</u>	<u>Adverse variation</u>
<b>December 31, 2022</b>				
Financial assets at fair value through other comprehensive income				
Equity instruments without active market	Price-to-book multiple	±10%	<u>\$ 261</u>	<u>(261)</u>
	Discount for lack of liquidity	±10%	<u>\$ 261</u>	<u>(261)</u>
<b>December 31, 2021</b>				
Financial assets at fair value through other comprehensive income				
Equity instruments without active market	Price-to-book multiple	±10%	<u>\$ 1,037</u>	<u>(1,037)</u>
	Discount for lack of liquidity	±10%	<u>\$ 1,037</u>	<u>(1,037)</u>

(19) Financial risk management

1. Overview

Use of financial instrument exposes the Company to the following risks:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This footnote discloses exposure, assessment, and the Company's management goals, policies, and procedures for the above mentioned risks. For further quantitative disclosures, please see notes to the financial statement.

2. Risk management framework

The Company has established its risk management policy to identify and analyze the risks associated with business activities, to set appropriate risk limits and controls, and to monitor risk exposures as well as compliance with various risk limits. The risk management policy and system are regularly examined to reflect changes in market condition and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines, and operating procedures, so that all employees are able to comprehend their roles and duties.

3. Credit risk

Credit risk refers to the risk of financial loss the Company may incur due to its customers or financial instrument counterparties being unable to fulfill contractual obligations. Credit risk mainly arises from customers' accounts receivable and securities investment.

(1) Accounts receivable and other receivables

There was no significant concentration of sales to any single customer and the Company sells its products to diversified locations. As a result, there was no significant concentration of credit risk in accounts receivable. The Company also monitors customers' financial position on a regular basis as a means to reduce credit risk, and generally does not require collaterals from customers.

(2) Investments

Credit risks associated with bank deposit, fixed income investment, and other financial instruments are assessed and monitored by the Company's Treasury Department. The Company transacts and deals only with banks of strong credit standing and financial institutions and organizations of investment grade and above, hence there is no material concern of default or significant exposure of credit risk.

4. Liquidity risk

The Company maintains sufficient share capital and working capital to meet all contractual obligations, and hence is not exposed to the risk of being unable to meet contractual obligations due to insufficient liquidity.

The Company will arrange its financing and investing activities according to working capital requirements and capital utilization plans, and therefore does not expect any material liquidity risk.

5. Market risk

Market risk refers to the effect a change of market price may have on

the income or value of financial instruments held on hand, whether it is an exchange rate instrument, interest rate instrument, equity instrument or otherwise. The goal of market risk management is to control market risk exposure within a tolerable range while optimizing investment returns.

(1) Exchange rate risk

The Company is exposed to exchange rate risks arising from sales and purchases that are denominated in non-functional currencies. NTD represents the Company's main functional currency. The above mentioned transactions are primarily denominated in currencies such as NTD, USD, and JPY.

For monetary assets and liabilities denominated in other foreign currencies, the Company buys in or sell off foreign currencies at the spot exchange rate whenever a short-term mismatch arises, and in doing so ensures that the net exposure is kept within the tolerable level.

(2) Interest rate risk

Floating-rate assets mainly comprise bank deposits, whereas floating-rate liabilities are mostly long-term and short-term borrowings. Based on evaluation, the Company expects no material cash flow risk from market rate changes.

(3) Other price risks

The Company is exposed to the risk of equity price variation due to investment in equity securities. These equity investments are held as strategic investments and not for trading. The Company does not actively trade the above investments; risk is managed by holding portfolios of different risk profile.

(20) Capital management

Objectives of the Company's capital management practices are to ensure the ability to sustain operations, deliver shareholder returns, and perform in line with the interests of other stakeholders while maintaining optimal capital structure for minimal funding cost.

The Company may maintain or adjust its capital structure by changing the amounts of dividend paid, reducing and refunding share capital back to shareholders, issuing new shares, or liquidating assets against liabilities.

The Company manages capital using debt-to-capital ratio as the primary form of measurement. This ratio is calculated by dividing net liabilities with gross capital. Net liabilities are calculated by deducting cash and cash equivalents from total liabilities, as shown in the balance sheet. Gross capital refers to the sum of all equity components (meaning share capital, capital reserve, retained earnings,

and other equity items) plus net liabilities.

The Company's capital management strategy in 2022 was identical to 2021, which involved maintaining debt-to-capital ratio within a certain range to ensure financing at reasonable cost.

Debt-to-capital ratio as at December 31, 2022 and 2021, is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 1,437,244	1,686,988
Less: Cash and cash equivalents	<u>71,700</u>	<u>158,555</u>
Net liabilities	1,365,544	1,528,433
Total equity	<u>1,227,959</u>	<u>1,146,797</u>
Capital after adjustment	<b><u>\$ 2,593,503</u></b>	<b><u>2,675,230</u></b>
Debt-to-capital ratio	<b><u>52.65%</u></b>	<b><u>57.13%</u></b>

## 7. Related party transactions

### (1) Parent company and the ultimate controller

Yi Jinn Industrial Co., Ltd. is the Company's parent and the ultimate controller of the group, which directly and indirectly controls 27.70% of the Company's outstanding common shares. Although shareholding percentage does not exceed 50%, Yi Jinn Industrial still treats the Company as a subsidiary for exercising control. Yi Jinn Industrial Co., Ltd. prepares consolidated financial statements for public use.

### (2) Name and relationship of related parties

Transactions with related parties that occurred within the period of the financial statements are as follows:

<b>Name of related party</b>	<b>Relationship with the Company</b>
Yi Jinn Industrial Co., Ltd. (Yi Jinn Industrial)	The Company's parent company
Kwang Ming Silk Mill Co., Ltd. (Kwang Ming Silk Mill)	Common Chairman between the two companies

### (3) Significant transactions with related parties

#### 1. Operating revenues

Sales to related parties and amounts:

	<b>2022</b>	<b>2021</b>
Kwang Ming Silk Mill	<b><u>\$ 568,472</u></b>	<b><u>465,614</u></b>

Sales to related parties are priced according to the price of raw materials and are not significantly different from transactions with unrelated parties.

Sales to the parent company and other related parties are collectible 15 days after month-end, and the collection terms are not significantly different from unrelated parties. Accounts receivable from related parties are not secured

by collateral, and do not require provision for bad debt upon evaluation.

2. Purchases

Purchases made by the Company from related parties:

	<u>2022</u>	<u>2021</u>
Kwang Ming Silk Mill	<u>\$ 1,463</u>	<u>7,245</u>

Note: The Company purchased NT\$1,463 thousand and NT\$16,254 thousand of goods from related party - Kwang Ming Silk Mill in 2022 and 2021, respectively. The Company also generated NT\$0 thousand and NT\$9,009 thousand of sales revenue in the respective years from materials that were outsourced to the related party for processing, which have been charged against operating costs.

There is no significant difference between the price of purchases made by the Company with the above companies and with general suppliers.

Payment term for the above parties is 30 days after month-end, which is not significantly different from general suppliers.

3. Related party receivables

Details of amounts receivable from related parties:

<u>Account category</u>	<u>Related party category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	Kwang Ming Silk Mill	\$ 39,922	29,062
Accounts receivable	Kwang Ming Silk Mill	5,632	-
Other receivables	Kwang Ming Silk Mill (Note)	10,902	11,229
		<u>\$ 56,456</u>	<u>40,291</u>

Note: Represents production line wages, utility expenses, and sundry expenses that the Company had paid on behalf.

4. Related party payables

Details of related party payables are shown below:

<u>Account category</u>	<u>Related party category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Kwang Ming Silk Mill	\$ -	107
Notes payable	Kwang Ming Silk Mill	-	1,126
Other payables	Yi Jinn Industrial	-	-
		<u>\$ -</u>	<u>1,233</u>

5. Leases

The Company leases some of its plant and office premises to a related party, for which a 10-year lease agreement has been signed. Breakdown of rental income:

<u>2022</u>	<u>2021</u>
-------------	-------------



Kwang Ming Silk Mill	<u>\$ 24,000</u>	<u>24,000</u>
----------------------	------------------	---------------

(4) Transactions involving key management personnel

Compensation to key management personnel includes the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 4,200</u>	<u>3,960</u>

## 8. Pledged assets

Book value of assets that the Company had placed as collateral is explained below:

<u>Name of asset</u>	<u>Borrowings secured</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	Long- and short-term borrowings	\$ 851,374	858,358
Investment properties	"	650,718	658,174
		<u>\$ 1,502,092</u>	<u>1,516,532</u>

## 9. Major contingent liabilities and unrecognized contractual commitments

(1) Issued but undrawn letters of credit as at December 31, 2022 and 2021:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
NTD	\$ 297,000	412,000
USD	22,978	56,959
JPY	830	31,715
EUR	-	2,096

(2) The Company had issued NT\$160,000 thousand of guarantee notes for bank borrowings as at December 31, 2022 and 2021.

(3) The Company had the following contractual commitments that were not recognized on balance sheet:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Contracts signed (before tax)</u>		
Purchase of raw materials	<u>\$ 49,950</u>	<u>49,950</u>
Renovation works	<u>\$ 11,616</u>	<u>23,943</u>
<u>Proceeds paid (before tax)</u>		
Purchase of raw materials (Note 1)	<u>\$ 16,969</u>	<u>16,969</u>
Renovation works (Note 2)	<u>\$ 5,647</u>	<u>15,040</u>

Note 1: Presented as inventory and prepayments.

Note 2: Presented as property, plant and equipment.

**10. Losses from major disasters: None.**

**11. Major post-balance sheet events: None.**

**12. Others**

(1) Summary of employee benefit, depreciation, depletion, and amortization expenses by function:

Function Nature	2022			2021		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee benefit expenses						
Salary	112,103	17,577	129,680	110,773	15,166	125,939
Labor/health insurance premium	10,661	1,002	11,663	9,959	993	10,952
Pension expense	4,604	577	5,181	4,754	525	5,279
Directors' compensation	-	1,800	1,800	-	1,560	1,560
Other employee benefit expenses	6,797	489	7,286	7,073	463	7,536
Depreciation expenses	46,469	4,759	51,228	51,979	4,741	56,720
Depletion expense	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-

Note: NT\$16,643 thousand and NT\$16,116 thousand of depreciation expenses were presented as contra items to rental income in 2022 and 2021, respectively.

Additional information on employee size and employee benefit expenses for 2022 and 2021 is presented below:

	<u>2022</u>	<u>2021</u>
Employee count	<u>204</u>	<u>210</u>
No. of directors without concurrent position as employee	<u>9</u>	<u>8</u>
Average employee benefit expenses	<u>\$ 789</u>	<u>741</u>
Average salary expenses	<u>\$ 665</u>	<u>623</u>
Adjustments to average employee salary expenses	<u>6.08%</u>	<u>42.56%</u>
Supervisors' compensation	<u>\$ 120</u>	<u>240</u>

The Company received NT\$21,095 thousand of salary subsidy in 2020, which was presented as contra item to inventory and operating expenses. Average salary per employee was calculated at NT\$542 thousand after taking

into account salary subsidies.

Information regarding the Company's salary and compensation policies (including directors, supervisors, managers, and staff):

Given the vast number of workers and diverse job duties involved, the Company has implemented a compensation policy that pays the following benefits in addition to gross salary for ease of management and calculation:  
 Responsibility allowance: Employees are entitled to additional monthly pay depending on their duties and grades.

Allowances: Transportation allowance, shift allowance, special allowance, and shift bonus are granted depending on the nature of employees' duties.

Performance bonuses: Production bonus, repair bonus, and loading bonus are offered to reward employees' performance.

Overtime pay: The Company calculates and makes overtime pay according to Article 24 of the Labor Standards Act.

Meal allowance: The Company provides each employee with NT\$2,400 of meal allowance per month.

Pay deductions: The Company imposes pay deductions for improper use of factory and dormitory facilities and work-related mistakes.

### 13. Other disclosures

#### (1) Information relating to significant transactions

Significant transactions in 2022 that require further disclosures under Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loans to external parties: None.
2. Endorsements/guarantees to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures):

Unit: NTD thousands

Holder	Name and type of securities	Relationship with the securities issuer	Account category	Closing amount				Remarks
				Shares	Book amount	Shareholding percentage	Fair value	
Hung Chou Fiber Industrial Co., Ltd.	Shares - China Man-Made Fiber Corporation	None	Financial assets at fair value through other comprehensive income - current	278	3	- %	3	
"	Shares - Taiwan Filament Weaving Development Co., Ltd.	"	Financial assets at fair value through other comprehensive income - non-current	2,175,660	3,147	3.57 %	3,147	

4. Cumulative purchase or sale of any single marketable security that amounts to NT\$300 million or more than 20% of paid-up capital: None.
5. Acquisition of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT\$300 million or more than 20% of paid up capital: None.

7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital:

Unit: NTD thousands

Name of buyer (seller)	Counterparty Name	Relationship	Transaction summary				Distinctive terms of trade and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As a percentage to total purchases (sales)	Credit term	Unit price	Credit term	Balance	As a percentage of total notes and accounts receivable (payable)	
Hung Chou Fiber Industrial Co., Ltd.	Kwang Ming Silk Mill Co., Ltd.	Parties with material influence over the Company	Sale	568,472	18.07%	15 days after month-end	Selling prices are determined according to the price of raw materials, and are not significantly different from transactions with unrelated parties.	General collection terms are 15 days after month-end	46,579	34.15%	

8. Related party receivables amounting to NT\$100 million or more than 20% of paid-up capital: None.

9. Derivative transactions: None.

- (2) Information on business investments (excluding Mainland investees):

Information about the Company's business investments in 2022:

Unit: NTD thousands

Name of investor	Name of investee	Location	Main business activities	Amount of initial investment		End-of-period holding position			Current period profit/loss of the investee	Investment gains/losses recognized in the current period	Remarks
				Current period-end	End of previous year	Shares	Ratio	Book amount			
Hung Chou Fiber Industrial Co., Ltd.	Da Yi International Development Co., Ltd.	Taiwan	Development of residential and commercial buildings	87,062	61,875	7,806,250	7.10%	64,142	(20,368)	(1,386)	Associated companies

- (3) Information relating to investments in the Mainland: None.

- (4) Information on major shareholders:

Unit: shares

Name of major shareholder	Share	Number of shares held	Shareholding percentage
Yi Jinn Industrial Co., Ltd.		36,601,000	27.70%
Yi Tong Fiber Co., Ltd.		10,000,000	7.56%
Kwang Ming Silk Mill Co., Ltd.		7,000,000	5.29%

## 14. Segment information

- (1) General information

The Company is primarily involved in the production and trading of polyester fibers. The key decision makers evaluate performance based on overall business outcomes, and for this reason, the Company considers itself as a single operating segment. Segment information for 2022 and 2021 is consistent with the information presented throughout the financial statements.

- (2) Basis of disclosure and reconciliation of profit, asset, and liability information for

reportable segments

Profit, asset, and liability of the operating segment have been disclosed on the same basis as the financial statements. Please refer to the balance sheet and comprehensive income statement for details.

(3) Regional disclosure

Disclosure of regional information is as follows. Income location is determined based on customers' geographic presence, whereas location of non-current assets is determined based on the asset's physical presence.

<b>Location</b>	<b>2022</b>	<b>2021</b>
Revenues from external customers:		
Taiwan	\$ 2,759,135	2,540,356
Other countries	386,798	424,970
	<b>\$ 3,145,933</b>	<b>2,965,326</b>

Non-current assets:

The Company only has one operating segment, and information on non-current assets is consistent with the rest of the financial statements. Please see the balance sheet for details.

(4) Information on major customers

Details of customers that accounted for more than 10% of the Company's operating revenues in 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Customer B	\$ 319,527	282,536
Customer C	568,472	465,614
Customer D	300,315	381,616
Customer G	752,388	412,012
	<b>\$ 1,940,702</b>	<b>1,541,778</b>

5. Any financial distress experienced by the Company or its affiliated enterprise and impacts on the Company's financial position in the last year up until the publication date of annual report: None.

**Ten. Review and analysis of financial position and business performance, and risk management issues**

1. Financial position

(1) Comparative analysis of financial position

Item	Year	December 31, 2022	December 31, 2021	Difference	
				Amount	%
Current assets		\$764, 821	\$904, 701	\$(139, 880)	(15. 46)
Fixed assets		1, 125, 962	1, 171, 314	(45, 352)	(3. 87)
Other assets		774, 420	757, 770	16, 650	2. 20
Total assets		2, 665, 203	2, 833, 785	(168, 582)	(5. 95)
Current liabilities		559, 260	742, 661	(183, 401)	(24. 70)
Long-term liabilities		877, 984	944, 327	(66, 343)	(7. 03)
Total liabilities		1, 437, 244	1, 686, 988	(249, 744)	(14. 80)
Share capital		1, 321, 124	1, 321, 124	-	-
Retained earnings		(84, 462)	(172, 846)	88, 384	81. 13
Total shareholders' equity		1, 227, 959	1, 146, 797	81, 162	7. 08

- (2) Causes, impacts, and response plans for any material change in assets, liabilities, and shareholders' equity in the last two years (variations above 20% and amounting to at least NT\$10 million).
1. Retained earnings and total shareholders' equity increased in the current period mainly because the Company turned profitable in 2021. Please see the comparative analysis of the financial performance below.
  2. The current liabilities decreased compared to the previous period, mainly due to the repayment of loans with the profits in this period.

## 2. Financial performance

### (1) Comparative analysis of financial performance

Year	2022	2021	Amount of variation	Variation %
Operating revenues				
Sales revenues	\$3,145,933	\$2,965,326	\$180,607	6.09
Operating costs				
Cost of sale	(2,937,786)	(2,771,775)	166,011	5.99
Gross profit	208,147	193,551	14,596	7.95
Operating expenses	(110,244)	(94,163)	16,081	17.08
	(13,395)		13,395	100.00
Operating profit/loss	84,508	99,388	(14,880)	(14.97)
Non-operating income and expenses	15,218	6,888	8,330	120.93
Pre-tax profit (loss)	99,726	106,276	(6,550)	(6.16)
Income tax benefits (expenses)	685	(35)	720	205.71
Current net income (loss) from continuing operations	99,041	106,311	(7,270)	(6.84)
Current net income (loss)	99,041	106,311	(7,270)	(6.84)
Other comprehensive income for the current year	(7,222)	-	(7,222)	(100.00)
Total comprehensive income for the current period	91,819	106,311	(14,492)	(13.63)

(2) Explanation for variations in the last two years (variations above 20% and amounting to at least NT\$10 million)

1. The net amount of other income and expenses for this period increased compared to 2021. This was mainly due to an advance payment of NT\$13,395,000 made by the Company. Subsequently, the products provided by the supplier did not meet the Company's quality and production efficiency requirements. Currently, the Company is negotiating with the supplier to terminate the order. The Company believes that the likelihood of recovering this amount is extremely low, and therefore recognized the full amount as a loss on impairment of prepayments.

(3) Cause of changes in main business activities: None

(4) Sales volume forecast for the next year, basis of estimation, and key factors to growth or decline:

The sales forecast of the company is based on the changes in monthly sales volume throughout the year 2022 and the consideration of factors related to market demand. The estimated sales volume for 2023 is expected to decrease compared to 2022 due to the impact of the Russian-Ukrainian conflict and global inflation, which may lead to a slowdown in the ordering momentum of brand apparel factories and potentially affect the company's operating performance.

Unit: tonnes

Main products	Unit	Estimated sales volume
Synthetic fibers	Tonnes	76,830 (total sales volume across all products)

### 3. Cash flow

Opening cash balance	Net cash flow from operating activities for the year	Net cash flow from investing activities	Net cash flow from financing activities	Cash surplus (deficit)	Financing of cash deficits	
					Investment plans	Financing plans
\$158,555	\$95,303	\$(58,527)	(123,631)	\$71,700	-	-

(1) Analysis of cash flow changes for the year:

1. Operating activities: The net cash inflow from operating activities was mainly due to the slight rebound in downstream demand as the epidemic situation eased.
2. Investing activities: Net cash outflow from investing activities was mainly attributed to increases in investment properties and equity-accounted investments.
3. Financing activities: Net cash outflow from financing activities was mainly the result of partial repayments to bank borrowings.

(2) Response measures and liquidity analysis for expected cash deficit:

1. Response measures and liquidity analysis for cash deficit: Not applicable



- (3) Liquidity analysis for the next year
  1. Opening cash balance: NT\$71,700,000
  2. Projected net cash flow from operating activities for the year: NT\$150,000,000
  3. Projected net cash flow from investing activities for the year: NT\$(20,000,000)
  4. Projected net cash flow from financing activities for the year: NT\$(120,000,000)
  5. Projected cash balance: NT\$81,700,000

4. Major capital spendings in the last year and impact on business performance

- (1) Major capital spendings and source of capital: None.  
Note: The board of directors did not resolve any major capital spending in the last two years.
- (2) Expected benefits: Not applicable.

5. Investment policy in the most recent year, causes of profit or loss incurred, improvement plans, and investments planned for the next year.

The Company had no business investment plan in the most recent year, hence not applicable.

6. Analysis and assessment of risk issues:

- (1) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and response measures.
  1. In 2022, due to the increase in interest rates, the interest expenses generated by the company's borrowings accounted for about 1% of its revenue, therefore, the impact of interest rate fluctuations on the Company is not significant.
  2. Given the negligible differences between the amount of goods exported and the amount of purchases paid in foreign currency, exchange rate variation should have insignificant impact on the Company's profitability.

- (2) Policies on high-risk and highly leveraged investments, loans to external parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profit or loss incurred and future response measures.

The Company did not engage in any of the above activities or transactions, hence not applicable.

- (3) R&D projects in the most recent year, current progress of incomplete projects, projected R&D expenses, estimated time to mass production, and key factors affecting project success.

1. Future R&D plans
  1. Development of antibacterial Cu ion fiber
  2. Modify existing machinery and equipment for increase in added value.
  3. Develop new yarn products in line with customers' needs, and increase the weight of customized products
2. R&D expenses: The Company expects to spend approximately NT\$2 million

into sample development and development-related activities in 2022

(4) Financial impacts and response measures due to change of local and foreign policies and regulations in recent years: None

(5) Financial impacts and response measures due to technological changes in the last year.

The Company produces conventional polyester fibers. The production technologies involved have matured to the point that no material change is expected to occur in the short term. For this reason, technological changes should have no material impact on the Company.

(6) Crisis management, impacts, and response measures due to change of corporate image in the last year.

There was no major change in the Company's image; furthermore, the Company has been committed to improving quality management and engaging local neighbors in recent years for the continuity of future business.

(7) Expected benefits and risks in relation to mergers and acquisitions. None.

(8) Expected benefits and risks associated with plant expansions. None.

(9) Risks associated with concentrated sales or purchases.

The Company maintains good relationship with key suppliers and customers, and signs long-term contracts for most of its purchases. Risks are considered to be within tolerance.

(10) Impacts and risks associated with a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest. No such occurrence

(11) Impacts and risks associated with a change of management. None.

(12) Litigation and non-contentious cases. None.

(13) Other major risks.

The Company conducts cybersecurity risk assessments on a yearly basis; please see pages 93-97 of this annual report for details relating to the assessment process.

7. Other material issues. None.

Eleven. Special remarks

1. Information of affiliated enterprises: Not applicable.

2. Private placement of securities in the last year up until the publication date of annual report: Not applicable.

3. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the publication date of annual report: Not applicable.

4. Other necessary supplemental information:

(1) Audit remuneration: Amount and nature of non-audit fees paid to financial

statement auditors, accounting firm, and affiliated enterprises thereof: None.

- (2) Organization of shareholder meetings:  
The Company commissions the Share Administration Department of Grand Fortune Securities Co., Ltd. for the organization of shareholder meetings.
- (3) The Board of Directors regularly refers to Audit Quality Indicators (AQIs) to evaluate the independence and qualification of the auditors.:
  1. On April 13, 2023, our company passed the evaluation of the Audit Quality Indicators (AQIs) by the Audit Committee and Board of Directors, and the independent auditors have been approved for their independence and qualification.
  2. The Chairman, General Manager, Finance Manager, and Accounting Manager of our company have not served in the current auditors' firm or their related companies within the past year.
  3. The evaluation process followed the auditor's 110-year audit quality indicators, assessing five major aspects:
    - Aspect 1: Professionalism/audit experience, training hours, turnover rate, professional support.
    - Aspect 2: Quality control/auditor workload, audit input, EQCR review, quality management support capability.
    - Aspect 3: Independence/fees for non-audit services, client familiarity.
    - Aspect 4: Supervision/lack of external inspection and disposition, improvement through regulatory authority correspondence.
    - Aspect 5: Innovation ability assessment/innovative planning or initiatives.

Twelve. Occurrences significant to shareholders' equity or security price, as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the last year up until the publication date of annual report: None

**Company seal: Hung Chou Fiber Industrial Co., Ltd.**

**Company person-in-charge: Cheng-Tien Chan**