Stock Code:
1423

Reward Wool Industry Corporation

2022Annual Report

Published April 22nd, 2023

Annual report query website :
Company website : http://www.reward.com.tw/
Market Observation Post System : http://mops.twse.com.tw/

I、Spokespersons and Deputy Spokespersons of the Company

Spokesperson	Name	：M.L. YU
	Job title	：Vice president
	Telephone	：(02)2781-1161
	E-mail	：minnayu@reward.com.tw
Deputy spokesperson	Name	：T.W. YANG
	Job title	：Manager, Management Departmen
	Telephone	：(02)2781-1161
	E-mail	：lhawu@reward.com.tw

II、Addresses and telephone numbers of head office and factories

Head Office	：12th Floor,310,Sec.4,Chung Hsiao East Road Taipei,Taiwan
Telephone	：(02)2781-1161
Liu-th Mill	：2,Kung Chien South Road Liu-th Industrial District Keelung,Taiwan
Telephone	：(02)2451-5116
Hsin-wu Mill	：309,Sec.2,Chung Shang East Road Tou-chou Vil.Hsin-wu Dist Tao-yuan City, Taiwan
Telephone	：(03)490-4311

III、Name, address, website, and telephone number of stock registration agent

Transfer Agency Department of CTBC Bank Co., Ltd.

Address	：5th Floor, NO. 83, Sec. 1, Chongqing S. Rd., Taipei, Taiwan
E-mail	：https://www.ctbcbank.com
Telephone	：(02)6636-5566

IV、Latest Annual Financial Reporting certified public accountants

Certified public accountants	：Hsu, Hsin-Min、Yang, Chih-Huei
Accounting firm	：Ernst & Young, Taiwan
Address	：9F,No.333,Sec. 1,Keelung Road,Taipei City,Taiwan
E-mail	：http://www.ey.com/tw
Telephone	：(02)2757-8888

V、The name of exchanges where the Company's securities are traded offshore, and the method to access the information on the offshore securities: None.

VI、Company Website:: http://www.reward.com.tw/

2022 Annual Report

Table of Contents

2022 Annual Report

Table of Contents

A. Letter to Shareholders

1. 2022 Business Report

(1) Business Plan Implementation Results

The Company's 2022 annual net operating revenue was NTD175,942,000, an annual reduction of 7%. Operating loss was NTD36,398,000.

Information for the operating revenue of the 2021 and 2022 fiscal years, operating loss, and production and sales of products are listed as below:

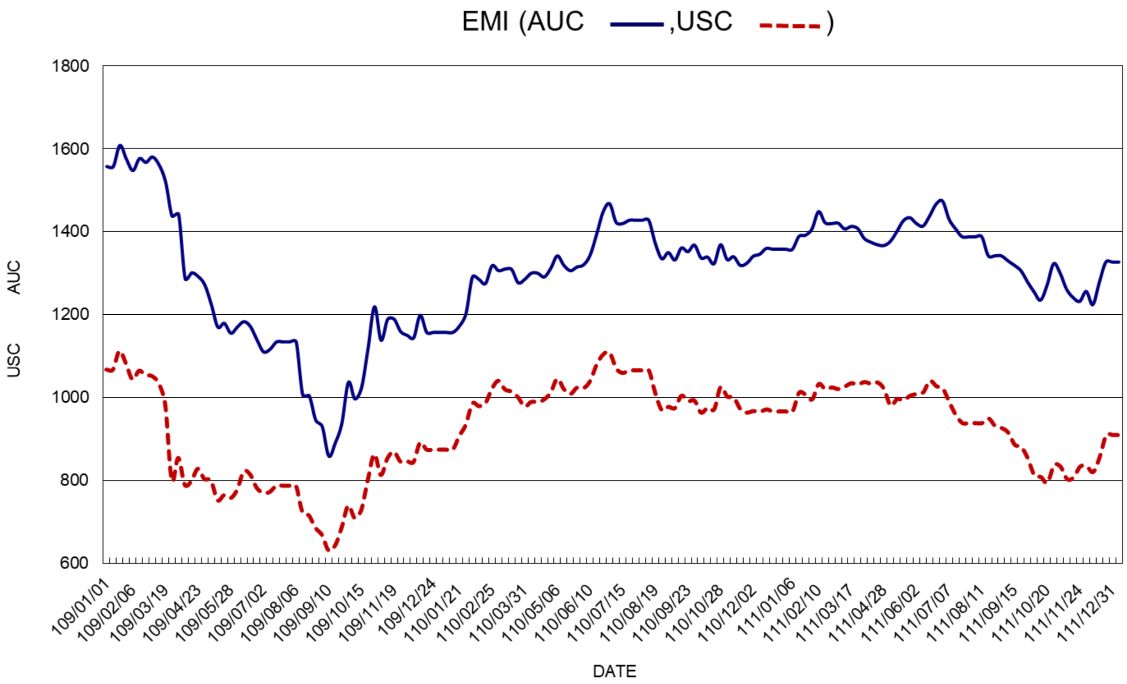
Unit: metric tons / Thousand NT$

Item		Year	2022	2021	Increase (decrease) %
Total operating revenue and earnings	Operating revenue	Domestic sales	59,397	78,761	(25)%
		Overseas sales	116,545	111,384	5%
		Total	175,942	190,145	(7)%
	Operating loss		(36,398)	(66,205)	(45)%
	Net profit before tax		85,141	192,861	(56)%
Production and sales volumes of main products	WOOL TOP	Production volume (inclusive of outsourced processing)	545	350	56%
		Sales volume	379	237	60%
	SUPERWASH WOOL TOP	Production volume	172	303	(43)%
		Sales volume	132	240	(45)%

2022 Operation Report:

Many governments around the world have been lifting their lockdown restrictions recently. This COVID-19 pandemic, which has been around for almost three years, seems to be coming to an end. The pandemic has caused the global population deaths of more than 6.7 million persons, and it has also brought about some irreversible trends. A retreat in globalization has impacted the industrial supply chain, resulting in changes to its rules, short-chains, decentralization, and increase in safety stock of key components which will inevitably cause the re-organization of the global value chain. On the other hand, the easy money policy and the eruption of war at the beginning of the year have ignited inflation. Consumer demands were dull, resulting in significant impacts on high price wool fiber clothing products.

The Australian wool trading market underwent a surge in the upper half of the year in response to the lifting of lockdown restrictions in major countries, Europe, the USA, and Japan. The EMI average wool price had gradually risen from the opening, AUC 1,358/USC 965, at the beginning of the year to the high point AUC 1,438/USC 1,039 (with growth of 5.9% and 7.7% respectively) during mid-year. In quarter three, the severe inflation had resulted in rate hike issue, adding to the pandemic situation in China which had turned serious. Its effect had led to a price drawdown. Fortunately, this situation was relieved at the end of quarter four when China abandoned zero-COVID policy and lifted lockdown restrictions. The price rebounded until the end of the year, the closing price was AUC 1,327/USC 909. In total for the entire year, it still fell by AUC 31(about 2.3%) and USC56 (about 5.8%).



The Company's annual total sales, combining wool tops and superwash wool tops, were 511 tons, an increase of 34 tons (about 7%) as compared to 477 tons for the previous year. The overall inventory evaluation showed generation of profits due to the significant effects of destocking. However, consumer consumption power was still weak, resulting in variations for the sales items and the average sales price was fairly low. The operations remain in a state of loss and the revenue declined by 7% compared to the previous year. Nonetheless, owing to the two plants taking an active approach in renting out spaces, exchange rate profits, and other dividend income from investments of non-operating activities, the total annual operation pre-tax profit was NTD85,140,000.

Regarding the sales situation of every major region, the traditional domestic sales market and the Japanese region were sustaining at a level equal to the previous period, but the Korean region still did not make a comeback. The good news was under the efforts of the sales unit, there were significant outcomes from the expansion of other regional markets. The sales amount had made some growth compared to the previous year. Regarding type of sales products, the economic retreat due to inflation and shrinking consumption resulted in higher single prices, and significant obstructions to the sales of multi-layered processed superwash wool tops. Downstream customers have turned to purchasing general wool products in recent years.

The 2023 Outlook for the Wool Market:

As of now, the global economy remains severe, but based on the latest estimate of the wool production volume in the recent period, over the past year or two, there has been abundant rainfall in the main wool producing regions in Australia, bringing enough pasture for the wool farms and better feeding environment and a comparably lower cost. Therefore, the Australian Wool Production Forecasting Committee (AWPFC) forecasts the total wool production volume for 2022/23 to increase by another 16 million kilograms, with expectations to reach 340 million kilograms (an increase of 4.9%) and the total number of sheep shorn to increase by 74.9 million sheep (an increase of 4.6%). The raw material supply is expected to recover gradually.

Many countries are actively lifting restrictions opening up borders at this stage considering the people's economy, relatively, it has also led to a wave of explosive travel consumption trends. However, the current inflation situation remains severe, particularly the long-standing Ukraine-Russia war which has resulted in continuous effects on Europe and the global economy. The year 2023 might still be a rather difficult year. The Company has placed efforts in lowering the stock volume for finished products to improve the average inventory turnover, and it will also consider the changes to international situations and the Australian wool market to perform a more flexible wool procurement and production tempo in response to the future changing international scene.

(2) 2022 Budget Implementation

Unit: metric tons

Product category	WOOL TOP	SUPERWASH WOOL TOP	UNCARBONIZED NOIL
Expected sales amount	374	556	33
Actual sales amount	379	132	0
Achievement rate	101%	24%	0%

(3) Financial structure and profitability

1. 2022 financial gains and losses

Unit: Thousand NT$

Item	Amount
Operating revenue	175,942
Operating costs	177,375
Gross profit	(1,433)
Operating expenses	34,965
Operating loss	(36,398)
Net non-operating revenues and expenses	121,539
Net profit before tax	85,141
Net profit after tax	73,350

2. 2022 Profitability

Item	Ratio/NT$
Return on assets(%)	2.17
Return on equity(%)	2.38
Pre-tax income to paid-in capital ratio(%)	6.15
Net profit margin(%)	41.68
Earnings per share(NT$)	0.53

(4) Research and Development Overview

1. The 160RT cooling machine remote monitoring system specially used for air-conditioning control can avoid peak operating hours during the daytime to lower the electricity power contract volume.
2. Feasibility research on energy storage equipment for carbon reduction.

2. 2023 Business Plan and Operations Strategies

(1) Operating strategy

1. In line with the government's green energy policy, the company takes an active approach in the pursuit of solar power generation installations and continues to evaluate automated high efficiency equipment for simple labor costs.
2. Comprehensive review on various aspects of the current production process involving carbon emissions in response to future global carbon emission reduction policies.
3. Continue to shift towards reduced, diversified, and flexible production methods via outsourced-processing for some of the manufacturing of product items, and strengthen personnel training to ensure product quality stability.
4. On the basis of challenging innovation and corporate social responsibility, committing to the principle of integrity in the joint creation of optimal benefits for the company and society.

(2) Important production and sales policies:

1. Having undergone strict control and lockdowns of places for the last three years during the global pandemic, even though many countries at this current stage intend to fully reopen their borders, the easing monetary policy and the Ukraine-Russia War have triggered comprehensive inflation. These events have impacted the consumption power and demands of consumers. Hence, the Company upholds the previous stable operation strategy to continue to lower product inventory and to develop flexible production models for product diversity and quality refinement to differentiate the company from the low-cost wool top market of the Mainland.
2. Strengthen the expansion of sales markets in other regions for risk diversification to enhance business sales volume.
3. On the high polluting and high-power consuming scouring process, the current approach has turned to fully outsourced-processing. Therefore, lanolin products are no longer provided for production and sales in the future.
4. On outsourced-processing business of uncarbonized noil, flexible adjustments would be made in the future depending on the subsequent market demands.

2023 Expected sales amount

Unit: metric tons

Product category	WOOL TOP	SUPERWASH WOOL TOP	UNCARBONIZED NOIL
Expected sales amount	496	334	66

3. Future Development Strategy

(1) Continue to work towards eco-friendly, green energy, and carbon reduction goals for timely replacement of high-power consuming and low efficiency equipment in the factories in order to enhance production efficiency for effective reduction of energy depletion.

(2) Enhance personnel technical skills training and quality control and personnel downsizing to lower processing costs.

(3) The switch to outsourced-processing for the beginning processing stage, which is highly power consuming and highly polluting, is to lower the energy depletion of factories and reduce the wastewater treatment load.

(4) Aggressive development of special function wool top products and taking inventory of the usable space for rent in the factories.

(5) Continue to pay attention to the development of the surrounding environment of the Liu-Tu Plant in Keelung for future planning considerations.

4. Impact of competitive, regulatory, and operating environments

(1) On the main wool import and competitor – China – due to the previous rigorous zero-COVID policy, inflation, and limitations by Europe and the USA towards the technical products of China, these issues have resulted in great declines in its domestic economy with funds running tight. Every major wool top factory was under pressure with production and sales and cash flows. Low-cost competition thus became widespread in the muscling for the market. This has seriously affected our Company’s sales from receiving orders.

(2) With the rise in environmental protection awareness and emphasis on product image, there has been an increasing number of product brands demanding all production supply chain and source of raw materials be traceable and conform to the principle of ethical treatment of animals. Therefore, the company will gradually arrange for subsequent related product certifications and such type of raw materials procurement in meeting future market demands.

(3) Even though there has been a gradual rise in electricity consumption volume in recent years in Taiwan, relative power generation does not seem to be on the rise

simultaneously. It is anticipated that the problems of high electricity prices and shortages in power supply would certainly surface in the future. Hence, the Company has been actively making plans for green solar energy installments and concurrently replacing equipment of high-power consumption.

Thank you to every shareholder for your support and trust.

Wishing all shareholder good health and prosperity

Roul-Eel Ying, Chairperson

B. About the Company

The Company was established on May 1st, 1964, at a time when the procurement of materials much needed by the local wool industry, such as wool top and carbonized wool, was highly reliant on imports from overseas and the needs were increasing steadily. Due to unfavorable foreign exchange rate expenditures, the desire to cut back and to balance the supply and demand of the industrial materials, the Company’s founder, Mr. C. K. Ing, invited and led the China Development Corporation (currently, the China Development Industrial Bank) and several big wool textile factories for a joint venture forming this company to meet domestic demand. The first mill was built in the Liu-Tu Industrial District, Keelung. It has a land area of about 26,446 square meters, engaged in the production of wool top and carbonized wool. By 1979, operational performance outcomes and scale had reached a level allowing it to qualify as a publicly listed company. In 1985, a new mill was built in the Hsin-Wu District of Taoyuan City. All of the wool top production equipment was relocated to this mill. Between the period 1988 to 1994, its production capacity was greatly expanded and a new superwash wool top production line was built. Ever since, the Hsin-Wu mill handled all of the wool top production while the Liu-Tu mill specializes in carbonized wool and superwash wool top. Several factors, the trends in environmental protection laws and regulations and the surging labor wages, contributed to the decision to close the Liu-Tu mill in December 2006 and production was outsourced to Lihua (Ningbo) or other factories of this industry. At this moment, the main businesses of Liu-Tu mill are wool top scraps for re-processing and manufacturing, and renting out the factory space. A series of changes were installed for Reward in meeting our future operation strategies and to lower production costs. The cleaning process at Hsin-Wu mill had been outsourced to other factories of the same industry since 2021 with its production line re-drawn. Operation is shifting towards processing high added-value functional products and the factory space could be actively regenerated through renting out. With the funds boom from returning Taiwanese businesses, benefiting the rental of factory space. Responding to the global trend for clean energy and carbon emissions reduction, Reward began to install its own solar power facilities at the Hsin-Wu mill from 2022. The first phase self-constructed investment was for 442 Kw and rooftop rental for 318 Kw, total electricity production can reach up to 760 Kw. After familiarizing with the control and operation model and building a complete learning curve, phase two of the self-constructed investment plan would be started in wait of an opportunity, achieving the company's principles for sustainable operations and fulfilling social responsibilities.

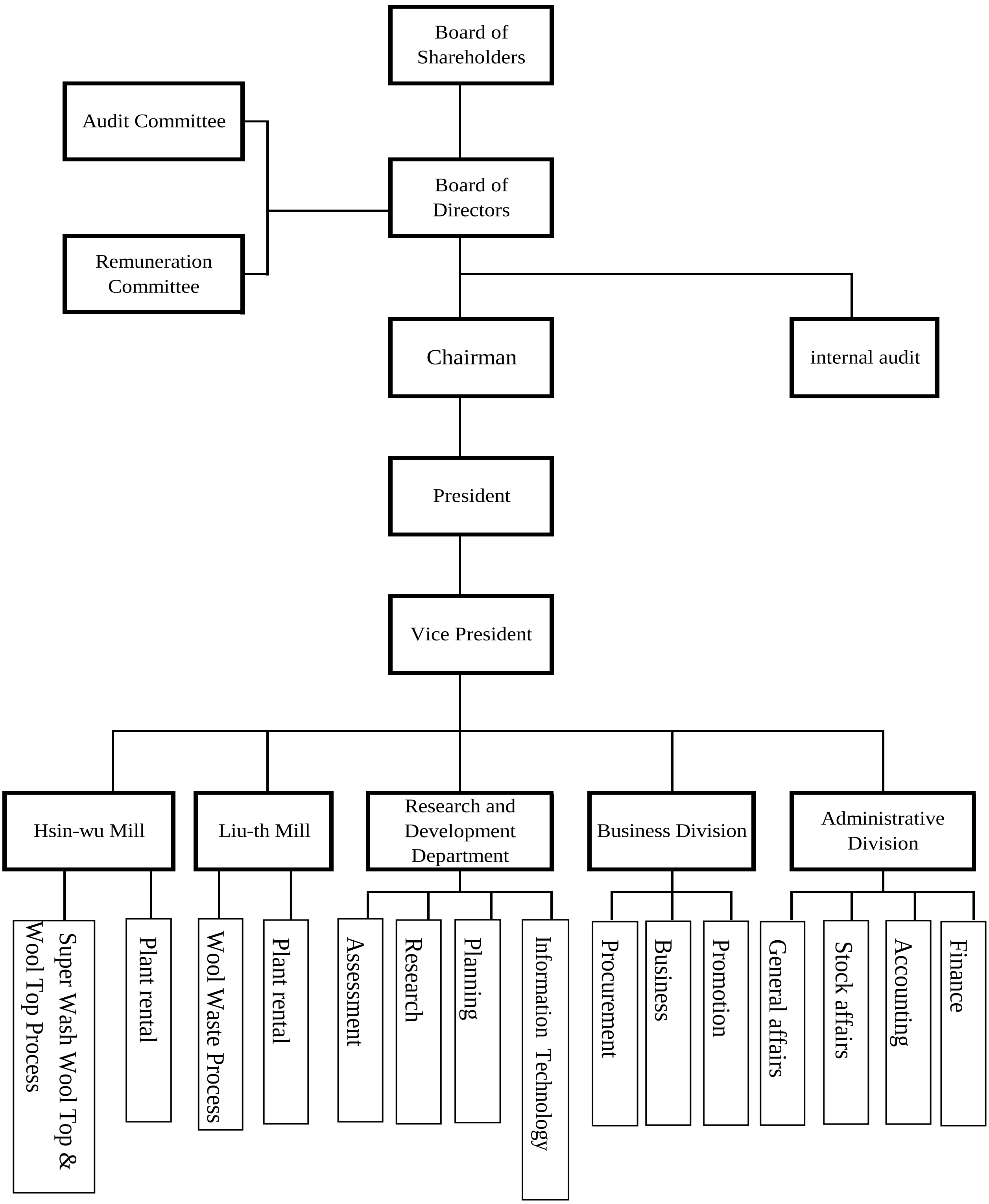
For more than fifty years, the Company's capital had increased from the early entrepreneurship phase of NT$25 million growing to the current NT$1.384 billion through capitalization for expansion. The product categories now include wool top, functional wool top, superwash wool top and carbonized wool and so on. Our products are of excellent quality marketed and sold to both domestic and overseas markets and have won acclaim throughout the industry increasing popularity.

Having observed the supply and demand trends for both domestic and overseas market, the Company made application for indirect investments for Lihua (Ningbo) Wool Industry Co., Ltd. in Mainland for NT$20 million between the period 1993 to 1997 to the Investment Review Committee, Ministry of Economic Affairs, and was approved. In 2008, the investment plan for direct investment gained approval. As of now, the total investment amount for the aforementioned plan is US$14 million (including earnings converted to US$1.92 million, with 23.85% shareholding. After more than twenty years of developments along the coastal region in Mainland, the local governments were driving the pollution discharge standard to a higher level for elevating the city image and industrial transformation upgrade. After considerations, the company's Board of Directors passed the resolution to stop production starting from July 2015 and to make plans for subsequent upgrading works. Since May 2017, parts of the office building remain for self-operation, while the remaining factory spaces are gradually transferred as leased assets. Due to needs from the Riverside Park New Town construction development, the board of the Company, in June 2020, approved by resolution acceptance of the expropriation agreement of the Ningbo City's Beilun District (development area) housing expropriation management service center, and had authorized the Chairperson for signing of the "Agreement for the Non-Residential Building Expropriation Currency Compensation" with the owner. Negotiations were reached for the expropriation and compensation of the building area 108,382 square meters and registered land size area 240,404.33 square meters owned by the company. As of June 30th, 2021, all of the aforementioned factory sites have been checked and handed over to the owner to complete the expropriation procedures.

C、Corporate Governance Report

1. Organization System

(1) Organization Chart



(2) Business activities of the departments

Departments	Business activities
Internal Audit	Establishment and amending the Company's internal audit system, conduct review for internal audit plan, and submission to the Board of Directors.
Management Department	Execute the company's various internal management affairs which include general affairs, stock affairs, asset management, and human resource planning, and also regularly prepare several accounting statements and manage capital.
Sales Department	Responsible for the promoting and survey of domestic and overseas markets. Provide information for expansion of business, formulate sales targets and business plan in line with the procurement of various raw materials for production.
Research and Development Department	Develop high added-value products based on market information and future trends, improve manufacturing process and quality, lower production cost and maintain the revisions of information systems.
Hsin-Wu Mill	Manufacture wool top, functional wool top, superwash wool top, and other related by-product, and factory space rental.
Liu-Tu Mill	Re-processing of wool top scraps, and factory space rental.

2. Directors, Supervisors and Management Team

(1)Directors’ information

April 22nd, 2023

Job title	Nationality or place of registration	Name		Gender/ Age	Date elected/ assumed office	Term	Date of first election	Shares held when elected		Shares currently held		Current shares held by spouse and minor children		Shares held in the name of others		Main work experience and educational background	Other concurrent positions within the Company or elsewhere	Director, supervisor, or other department head who is a spouse or relative within the second degree of kinship.			Remarks
								No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)			Job title	Name	Relation	
Chairman	R.O.C	Mindtown Investment Co. Ltd. Representative	Roul-Eel Ying	Female/ 71~80	2021.07.29	3 years	1995.01.10	20,777,070	15.01	20,777,070	15.01	0	0.00	0	0.00	Masters, University of California	Mindtown Investment Co. Ltd. Chairman CATHAY CHEMICAL WORKS, INC Chairman Taiwan Puritic Corporation Chairman President of the Company	None			Note 1
Director	R.O.C	Litai Investment Co. Ltd. Representative	Y.H.CHAO	Female/ 31~40	2021.07.29	3 years	2019.04.01	13,418,257	9.70	15,035,257	10.86	0	0.00	0	0.00	Department of Law, National University of Kaohsiung Legal affairs for listed companies in the finance, biotechnology, and medical industries.	Mustang Industrial Corporation Director	None			-
Independent director	R.O.C	S.C.CHEN		Female/ 81~90	2021.07.29	3 years	2018.06.21	0	0.00	0	0.00	0	0.00	0	0.00	PhD, Department of Chemicals, University of Pennsylvania Institute of Nuclear Energy Research, Atomic Energy Council, Executive Yuan	-	None			-
Independent director	R.O.C	L.Y.TU		Female/ 41~50	2021.07.29	3 years	2021.07.29	0	0.00	0	0.00	0	0.00	0	0.00	Department of Law, National Taipei University Co-location attorney, Sun Law Firm Associate, Ji Ying Law Firm Legal counsel and consultant of listed companies	Sun Law Firm Co-location attorney	None			-
Independent director	R.O.C	B.Y.YEN		Female/ 71~80	2021.07.29	3 years	2021.07.29	0	0.00	0	0.00	0	0.00	0	0.00	Department of Public Finance, National Chengchi University Branch Manager, Researcher of Audit Department of Board of Directors, Taiwan Cooperative Bank Deputy Manager, Overseas Finance Department, Farmers Bank of China Associate Manager of Foreign Exchange, Central Trust of China Passed the special exams for finance, Examination Yuan	-	None			-

Note 1: Due to the characteristics of the industry and operation needs, the Chairperson concurrently acts as the President (does not receive monthly salary for part-time work). This allows the direct participation in operations for better efficiency in the execution of various decision-making and can save the salary expenses; there have been no circumstances where the remaining board members are concurrently an employee or manager.

(2) Major Shareholders of the Institutional Shareholder

April 22nd, 2023

Institutional Shareholder name	Major Shareholders of the Institutional Shareholder
Mindtown Investment Co., Ltd.	Hengchang Investment Co., Ltd. (24.5%), Litai Investment Co., Ltd. (34.43%), Alloysphere (Hong Kong) Ltd. (32%)
Litai Investment Co., Ltd.	Ing Chang Ki Weichi Educational Foundation (29.33%), Hengchang Investment Co., Ltd. (21.33%), Hongchang Investment Co., Ltd. (21.33%), Ming-Hao Ying (21.33%)

(3) Major shareholders of the institutional shareholders listed in preceding table

April 22nd, 2023

Corporate/Institution name	Major Shareholders of Institutional Shareholders
Hengchang Investment Co., Ltd.	Hongchang Investment Co., Ltd. (33.27%), Ing Chang Ki Weichi Educational Foundation (29.33%), Litai Investment Co., Ltd. (19.40%), Fa-No Ying (16.67%)
Ing Chang Ki Weichi Educational Foundation	Chairman Roul-Eel Ying
Alloysphere (Hong Kong) Ltd.	Ming-Hao Ying (100%)
Hong chang Investment Co., Ltd.	Ming-Hao Ying (99.70%)

(4-1) Information disclosure on the professional qualifications of the directors and supervisors, and status of independence of the independent directors:

Condition / Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of other public companies in which the director also serves concurrently as an independent director
Chairman Roul-Eel Ying	Possess more than five years of work experiences for the company business and has served at the company for more than 25 years with familiarity of company business. Currently serving as Chairperson and concurrently the President. There have been no circumstances as stated in Article 30 of the Company Act.	(1) Is not a shareholder that holds more than 1% of the Company's total shares or ranks among the top-ten shareholders. This applies to the Director him/herself, his/her spouse, minor children, or shares held in others' names. (2) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. (3) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a companyor institution which corresponds with the Company financially or in terms of business. (4) Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that provides auditing service or commercial, legal, financial, or accounting services with a cumulative compensation not exceeding NT$500 thousand in the past two years for the Company or any of its affiliates. (5) Not a spouse or a relative within the second degree of kinship with any director.	0

<table>
<tr><td>Director
Y.H.CHAO</td><td>Possess more than five years of work experiences for the company business. Previously served as the legal affairs for public companies in finance, biotechnology and medical. Currently serving as the Company and public company’s director. There have been no circumstances as stated in Article 30 of the Company Act.</td><td>(1) Not employed by the Company or an affiliated business.
(2) Not a director or supervisor of the Company or its affiliate.
(3) Is not a shareholder that holds more than 1% of the Company’s total shares or ranks among the top-ten shareholders.
(4) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings.
(5) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company’s director seats or voting shares.
(6) Not a director, supervisor, or an employee of a company where the Chairman, President or any equivalent position are held by the same person or by his/her spouse separately.
(7) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a companyor institution which corresponds with the Company financially or in terms of business.
(8) Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that providesauditing service or commercial, legal, financial, or accounting services with a cumulativecompensation not exceeding NT$500 thousand in the past two years for the Company or any ofits affiliates.
(9) Not a spouse or a relative within the second degree of kinship with any director.</td><td>0</td></tr>
<tr><td>Independent director
S.C.CHEN</td><td>Possess more than five years of work experiences for the company business. Previously served at the Institute of Nuclear Energy Research, Atomic Energy Council, Executive Yuan. Currently serving as the Company’s independent director. There have been no circumstances as stated in Article 30 of the Company Act.</td><td rowspan="2">(1) Not employed by the Company or an affiliated business.
(2) Not a director or supervisor of the Company or its affiliate.
(3) Is not a shareholder that holds more than 1% of the Company’s total shares or ranks among the top-ten shareholders.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer as stated in (1) or any of the persons mentioned in (2) and (3).
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or moreof the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings.
(6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company’s director seats or voting shares.
(7) Not a director, supervisor, or an employee of a company where the Chairman, President or any equivalent position are held by the same person or by his/her spouse separately.
(8) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a companyor institution which corresponds with the Company financially or in terms of business.
(9) Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that providesauditing service or commercial, legal, financial, or accounting services with a cumulativecompensation not exceeding NT$500 thousand in the past two years for the Company or any ofits affiliates.</td><td>0</td></tr>
<tr><td>Independent director
L.Y.TU</td><td>Possess more than five years of work experiences for the company business. Previously served at law firm and as the legal consulting lawyer for listed and public company. Currently acts as the Company’s independent director and lawyer of a legal firm. There have been no circumstances as stated in Article 30 of the Company Act.</td><td>0</td></tr>
</table>

Independent director B.Y.YEN	Possess more than five years of work experiences required by the company business. Previously served as the branch manager and researcher for the audit department of board of directors of finance institutions. Currently acts as the Company's independent director. There have been no circumstances as stated in Article 30 of the Company Act.	(10) Not a spouse or a relative within the second degree of kinship with any director. (11) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.	0

(4-2) Diversity and independence of Board of Directors

1. Board diversity:
   ① On November 10th, 2014, the Company's 17th Board of Directors meeting, 11th time, had passed the establishment of the "Corporate Governance Code of Conduct." The diversity guideline has been formulated in Article 20. The nomination and selection of the Company's Board of Directors member abides by the Company's Articles of Incorporation, adopting the candidates nomination system. The qualifications of each candidates in academic and work experiences are evaluated, the individual director's appraisal results would also be referenced. The "Rules Governing the Election of Directors" and "Corporate Governance Code of Conduct" are adhered to in ensuring the diversity and independence of the Board members.
   ② The Company's 20th Board members name list shows an enhancement to the effectiveness of the Board functions and to the implementation of the diversity guidelines with the members' age, academic background, practice and management and so on aspects.
   ③ The diversity policy was formulated in regard to the member formation of the Board. The policy has been disclosed on the company website and the MOPS.
   ④ The directors who are employees of the Company stands at 20%, independent directors stand at 60%, women directors stand at 100%. Years of service for two independent directors are under three years, and for one independent director are between 4~9years. There are three directors at the age of 70 years and more, and two directors at the age of 60 years and below. Due to the characteristics of the industry, the Company emphasize on the gender of the Board member to get up to 60% and more in the ratio of women directors. The goal has been reached at the 20th Board of Directors meeting. For the purpose of sustaining constantly steady company operations, it is hoped to attain a certain proportion of directors' background in finance and legal aspects. There are two directors for this term with finance background and two members with legal background, meeting the target of the company.

The current Board of Directors of the Company composes of five directors. The Board forms the diversity policy with specific management goals and the achievements are as follows:

Specific management goals	Current execution status
Independent directors with term of office less than two terms	Achieved
Number of seats for independent directors shall be more than one-third of the total number of director seats	Achieved
Number of seats for women directors shall be more than two-thirds of the total number of director seats	Achieved
Number of seats for directors concurrently acting as the company's managers shall be less than one-third of the total number of director seats	Achieved

Diversity of the directors' professional knowledge (Please refer to the following)	Achieved

Board member diversity policy and implementation status:

Diversified Core Competences / Name		Basic composition									Banking and finance	Securities insurance	International economics and	Operations management	Accounting and finance	Legal affairs	Leadership and decision-making	Risk management
		Nationality	Gender	Concurrently serve as employees in the Company	Age			Term (Years)										
					Below 60	60 to 70	Over 71	<3	4-9	>9								
Director	Roul-Eel Ying	R.O.C	Female	V			V				V	V	V	V	V		V	V
	Y.H.CHAO	R.O.C	Female		V						V		V		V	V		V
Independent director	S.C.CHEN	R.O.C	Female				V		V				V	V			V	V
	L.Y.TU	R.O.C	Female		V			V					V	V		V		V
	B.Y.YEN	R.O.C	Female				V	V			V	V	V	V	V			V

2. Independence of the Board:
   The current Board members of the Company consist of five members, inclusive of three independent directors and two general directors. Only one of them is concurrently serving as an employee (stands at 20.00% of all directors) for one director seat. As of April 22rd, 2023, all of the independent directors met the regulations governed by the Securities and Futures Bureau of the Financial Supervisory Commission (FSC). Each of the director and independent director is not under any of the circumstances regulated in Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act. On the Company's Board of Directors' independence, please refer to page 13 of this Annual Report on the directors' professional qualifications and independent directors' independence information disclosure. On each director's education, gender and work experiences, please refer to page 11 of this Annual Report under Directors' Information.

(5) Background information of the president, vice president, assistant general manager, and heads of departments and branch offices

April 22nd, 2023

Job title	Nationality	Name	Gender	Date elected/ assumed office	Shareholding		Shares held by spouse and minor children		Shares held in the name of others		Main work (education) experiences	Concurrent job position in other companies	Manager who is a spouse or a relative within second degree			Remarks
					No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)			Job title	Name	Relation	
Chairperson and President	R.O.C	Roul-Eel Ying	Female	2017.04.01	0	0.00	0	0.00	0	0.00	Masters, University of California Chairperson of the Company	Mindtown Investment Co., Ltd. Chairman CATHAY CHEMICAL WORKS, INC Chairman Taiwan Puritic Corporation Chairman	None			Note 2
Vice President	R.O.C	M.L. YU	Female	2019.12.01	14,000	0.007	0	0.00	0	0.00	Director and spokesperson of the Company	None	None			-
Hsin-Wu Mill factory manager and R&D Department manager	R.O.C	S.H. CHEN	Male	2016.08.01	0	0.00	0	0.00	0	0.00	National Taiwan University of Science and Technology Masters, College of Engineering Hsin-Wu Mill Deputy manager	None	None			-
Manager, Sales Department and Liu-Tu Mill Factory Manager	R.O.C	Y.T. SHIH	Male	2016.05.16	7,360	0.005	24,000	0.017	0	0.00	National Keelung Maritime Vocational High School Deputy Factory Manager, Liu-Tu Mill	None	None			-
Manager, Management Department and Finance and Accounting Officer	R.O.C	T.W. YANG	Male	2005.02.01	2,500	0.002	10,000	0.007	0	0.00	Accounting Department, Tunghai University The Company's Deputy Manager of Management Department, and Acting Spokesperson	None	None			-
Audit Officer	R.O.C	K.Z. HUANG	Male	2019.07.01	0	0.00	0	0.00	0	0.00	The Company's audit personnel.	None	None			-

Note 1: The Company has not yet set up positions of deputy assistant general managers.

Note 2: Due to the characteristics of the industry and operation needs, the Company's Chairperson concurrently acts as the President (does not receive payment for the part-time work). This allows more effective execution of several decision-making due to direct participation in the operations, and it saves on the salary expenses.

3. Payroll of Directors, Supervisors, President and Vice President

(1) Remuneration Paid to Directors and Independent Directors

Unit: thousand NTD

Job title	Name	Director's remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration for part-time employees Ratio of total remuneration								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from investee companies other than subsidiaries or the parent company
		Remuneration (A)		Severance pay and pension (B)		Directors' remuneration (C)		Business expenses (D)				Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee remuneration (G)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
																Cash	Stock	Cash	Stock			
Corporate Director	Mindtown Investment Co.., Ltd.	0	0	0	0	471	471	0	0	471/0.64%	471/0.64%	0	0	0	0	0	0	0	0	471/0.64%	471/0.64%	-
Chairman	Mindtown Investment Co.., Ltd. Representative Roul-Eel Ying	2,760	2,760	0	0	0	0	539	539	3,299/4.50%	3,299/4.50%	0	0	0	0	528	0	528	0	3,827/5.22%	3,827/5.22%	-
Corporate Director	Litai Investment Co.., Ltd.	0	0	0	0	170	170	0	0	170/0.23%	170/0.23%	0	0	0	0	0	0	0	0	170/0.23%	170/0.23%	-
Director	Litai Investment Co., Ltd. Representative Y.H.CHAO	0	0	0	0	0	0	120	120	120/0.16%	120/0.16%	0	0	0	0	0	0	0	0	120/0.16%	120/0.16%	-
Independent director	L.Y.TU	0	0	0	0	85	85	120	120	205/0.28%	205/0.28%	0	0	0	0	0	0	0	0	205/0.28%	205/0.28%	-
Independent director	S.C.CHEN	0	0	0	0	85	85	120	120	205/0.28%	205/0.28%	0	0	0	0	0	0	0	0	205/0.28%	205/0.28%	-
Independent director	B.Y.YEN	0	0	0	0	85	85	120	120	205/0.28%	205/0.28%	0	0	0	0	0	0	0	0	205/0.28%	205/0.28%	-

Note 1: The Company prepares individual statements.

Note 2: Please describe the remuneration policies, mechanisms, standards, and structures for the independent directors, and their correlation to the amount of remuneration based on factors such as duties, risks, and invested time of the independent directors: The Company's directors' remuneration is based on Article 28 of the company's Articles of Incorporation. The remuneration of the director for the current fiscal year is within 1% of the profits for the current fiscal year. The remuneration of the President and Deputy Vice President are given based on industry practice, the scope of duties and authority of the position within the company, level of contribution to the company's operation targets, and the reference salaries approved by the Company's Remuneration Committee. The procedures for the establishment of the remuneration references the company's overall operation performance, the future industry operation risk and development trends, individual performance's achievement rate and level of contribution to the company's performance for giving reasonable remuneration. The rationality relating to the remuneration is audited by the Remuneration Committee and the Board of Directors. The reviews are conducted timely in view of the actual operation situations and related laws and regulations.

The distribution of the bonus rewards depends on the company's operation results and referenced the managerial officer performance evaluation. The items include financial aspects (such as company's revenue achievement rate and operation expenses), corporate social responsibility, corporate governance and professional knowledge and skills and more, adopted into the performance appraisal and remuneration distribution considerations.

(2) Remuneration Paid to Supervisors
(Not applicable)

(3) Remuneration Paid to President and Vice President

Unit: thousand NTD

Job title	Name	Salary (A)		Severance pay and pension (B)		Bonuses, allowances, etc.(C)		Employee remuneration (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from investee companies other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash	Stock	Cash	Stock			
President	Roul-Eel Ying (Note 2)	0	0	0	0	0	0	528	0	528	0	528/0.72%	528/0.72%	-
Vice President	M.L. YU	1,357	1,357	83	83	412	412	319	0	319	0	2,171/2.96%	2,171/2.96%	-

Note 1: The Company prepares individual statements.
Note 2: The Company's Chairperson is concurrently the President; the remuneration received as shown in the above table is inclusive of the amount in Table 1. on the remuneration for directors and independent directors.

(4) A company listed on the TWSE or the TPEx, it shall disclose the individual remuneration paid to each of its top five management personnel (disclose the individual names and remuneration method)

Unit: thousand NTD

Job title	Name	Salary (A)		Severance pay and pension (B)		Bonuses, allowances, etc.(C)		Employee remuneration (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from investee companies other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash	Stock	Cash	Stock			
Chairperson and President	Roul-Eel Ying (Note 2)	2,760	2,760	0	0	539	539	528	0	528	0	3,827/5.22%	3,827/5.22%	-
Vice President and Spokesperson	M.L. YU	1,357	1,357	83	83	412	412	319	0	319	0	2,171/2.96%	2,171/2.96%	-
Hsin-Wu Mill factory manager and R&D Department manager	S.H. CHEN	868	868	52	52	443	443	209	0	209	0	1,572/2.14%	1,572/2.14%	-
Manager, Sales Department and Liu-Tu Mill Factory Manager	Y.T. SHIH	778	778	50	50	448	448	209	0	209	0	1,485/2.02%	1,485/2.02%	-
Manager, Management Department and Finance and Accounting Officer and Acting Spokesperson	T.W. YANG	849	849	55	55	487	487	228	0	228	0	1,619/2.21%	1,619/2.21%	-

Note 1: The Company prepares individual statements.

Note 2: The Company's Chairperson is concurrently the President; the remuneration received as shown in the above table is inclusive of the amount in Table 1. on the remuneration for directors and independent directors.

Note 3: The concept of the remuneration contents disclosed in this table is different from that of the Income Tax Act. Thus, the purpose here is for information disclosure and not for tax return purposes.

(5) Names of the managers and distribution status for the employee remuneration distribution

Names of the managers and distribution status for the employee remuneration distribution

December 31st, 2022

	Title	Name	Stock	Cash (thousand NTD)	Total	Proportion to Earnings After (%)
Manager	Chairperson and President	Roul-Eel Ying (Note 1)	0	1,620	1,620	2.21%
	Vice President and Spokesperson	M.L. YU				
	Hsin-Wu Mill factory manager and R&D Department manager	S.H. CHEN				
	Manager, Sales Department and Liu-Tu Mill Factory Manager	Y.T. SHIH				
	Manager, Management Department, and Finance and Accounting Officer and Acting Spokesperson	T.W. YANG				
	Audit Officer	K.Z. HUANG				

Note 1: The Company's President were concurrently acting as directors. The remuneration received as shown in the above table is inclusive of the amount in Table 1. on related remuneration amount received by directors (including independent directors) who are concurrently employees.

(6) Analysis of the ratio of total remuneration to directors, supervisors, President, and Vice Ppresident in the most recent two years by the Company and all companies in the consolidated financial statements to the net income in the standalone or individual financial report, and explanation of the remuneration policy, standards and combinations, procedures for determining remuneration, and their correlation with business performance and future risks:

Unit: thousand NTD

	2022		2021	
	The Company	Consolidated statements (Note)	The Company	Consolidated statements (Note)
Net profit after tax	73,350	Not applicable	153,942	Not applicable
Ratio of directors' remuneration	4.09%	Not applicable	4.82%	Not applicable
Ratio of supervisor' remuneration	Not applicable	Not applicable	0.28%	Not applicable
Ratio of remuneration to president and vice presidents	3.68%	Not applicable	2.43%	Not applicable

Note: The Company prepares individual statements.

Explanatory notes:

1. Earnings Before Tax is used as the basis for calculating the allocation for the remuneration to employees and directors paid by the Company in accordance with related laws and regulations and the Articles of Incorporation. The proposal for remuneration to employees

and directors has been reviewed by the Remuneration Committee and submitted to the Board of Directors for discussion and approval. After the Board's approval, the proposal was reported at the Shareholders' Meeting.

The fixed employee monthly salaries or end-of-year bonuses received by the Company's managerial officers are based on the company salary standard. The Remuneration Committee is responsible for determining the salary payment by taking into account industry practice and the various operational performance achievements.

2. The Company's President is currently the same person as the Chairperson. However, she does not receive a fixed monthly salary. For the details of the remuneration proportion of the President and Vice Ppresident in the table above, please refer to Table 1. Remuneration Paid to Directors and Independent Directors, and Table 3. Remuneration Paid to President and Vice Ppresident.
3. The Company's 2022 allocation for director remuneration was NTD 896 thousand and for employee remuneration was NTD 3.585 million. They are processed in accordance with the abovementioned explanatory notes 1. The total compensation is lesser compared to the previous year. This is mainly due to the reduction in the earnings before tax for the entire year. However, this remuneration standard includes items of a variable nature (such as director and employee remuneration) and monthly salaries that are fixed in nature received by the chairperson or directors who are concurrently acting as the managerial officer. As a result, the remuneration percentage or some of the remunerations have increased compared to the previous year. This change is considered reasonable.

4. Corporate Governance Implementation

(1) Information on the Operation of the Board of Directors

The Board of Directors has convened 4 times (A) in the most recent year. The attendance of the directors is shown below:

Job title	Name	Attendances in person (B)	Attendance by proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Mindtown Investment Co., Ltd. Representative Roul-Eel Ying	4	0	100%	July 29th, 2021, re-election during the shareholders' meeting, re-elected.
Director	Litai Investment Co., Ltd. Representative Y.H.CHAO	3	1	75%	July 29th, 2021, re-election during the shareholders' meeting, newly elected.
Independent director	S.C.CHEN	4	0	100%	July 29th, 2021, re-election during the shareholders' meeting, re-elected.
Independent director	L.Y.TU	4	0	100%	July 29th, 2021, re-election during the shareholders' meeting, newly elected.
Independent director	B.Y.YEN	4	0	100%	July 29th, 2021, re-election during the shareholders' meeting, newly elected.

Other disclosures:

I. If any of the following circumstances occur in the operations of the board meeting, the date of the board meeting, the term, contents of the proposals, opinions of all independent directors, and the Company's handling of the opinion of the independent director, shall be recorded。

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: N/A.

(II) In addition to the aforementioned motions, other board meeting motions where an independent director expressed a dissenting or qualified opinion that have been recorded or stated in writing: N/A.

II. When there is recusal due to conflicts of interest by a director, the name of that director, the involved proposal(s), the cause(s) of the recusal due to conflicts of interest, and the participation in voting of that director shall be specified:

Mar. 22nd, 2022, the Company's 20th Term at the 4th Board of Directors Meeting

Case two:

The Company's 2021 Employee (of managerial officer identity) and Director Remuneration Distribution.

Resolution: I. This proposal involves stakeholders, Midtown Investment Co., Ltd., and its representatives, Chairperson Roul-Eel Ying and Director Y.H.CHAO, Litai Investment (Shares) Co., Ltd., and its representatives, Director Y.H.CHAO, and independent directors L.Y.TU, S.C.CHEN, and B.Y.YEN, who recused themselves from the discussions and resolution, and did not join in the voting.

II. This proposal adopts resolution by stages. After the stakeholders mentioned above recused themselves, the chairperson (or acting chairperson) held a consultation, and it was approved by all directors attending the meeting without objections.

III. The proposal was submitted to the Company's 2022 Annual General Meeting of Shareholders for reporting.

Nov. 10th, 2022, the company's 20th Term at the 7th Board Meeting.

Case three:

The calculation of the 2022 end-of-year bonus for distribution to the Company's chairperson and managerial officers.

Resolution: I. Regarding the year's end-of-year bonus distribution proposal, Chairperson Roul-Eel Ying, who is concurrently the Company's President, is a stakeholder, and she has recused herself according to the laws.

II. After the above-mentioned stakeholder of this proposal recused herself, the acting chairperson held a consultation, and it was approved by all directors attending the meeting without objections.

Case four:

The Company's 2023 Chairperson and managerial officers' fixed monthly salary proposal.

Resolution: I. Regarding the 2023 Chairperson and managerial officers' fixed monthly salary proposal, Chairperson Roul-Eel Ying, who is concurrently the Company's President, is a stakeholder, and she has recused herself according to the laws.

II. After the abovementioned stakeholder of this proposal recused herself, the acting Chairperson held a consultation, and it was approved by all directors attending the meeting without objections.

III. TWSE/TPEx listed companies shall disclose the cycle and period, scope, method, and content of self (or peer) evaluation and fill in the implementation status of the evaluationof the board of directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	2022/01/01~ 2022/12/31	Board of directors Performance evaluation	The Board of Directors' internal self-evaluation; Board of Director's self-evaluation survey form	The weighing items for Board of Directors' self-evaluation survey form include: The five major aspects, namely, the level of participation in the Company's operations, enhancing the quality of decision-making by the Board, formation and structure of the Board, the election of directors and continuous education, and internal control, for a total of 39 items for the evaluation indicators.
Implemented once a year	2022/01/01~ 2022/12/31	Performance evaluation for individual Board member	Board member individual self-evaluation survey form	The weighing items for the Board member's performance self-evaluation include: The six major aspects, namely, managing the objectives of the company and tasks, awareness of director's duties, level of contribution to the company's operation, internal relation management and communications, professionalism of director and continuous education, and internal control for a total of 22 items of evaluation indicators.
Implemented once a year	2022/01/01~ 2022/12/31	Performance evaluation for functional	Functional Committee performance evaluation self-	The weighing items for the Functional Committee's performance self-evaluation include: The five major

		Committee	evaluation survey form	aspects, namely, the level of participation in the Company's operations, awareness of Functional Committee's duties, enhancing the quality of decision-making by the Functional Committee, formation and structure of the Committee, and internal control, for a total of 19 items for the evaluation indicators.

IV. The targets to enhance the Board functions and evaluation of its implementation for the current and the most recent year:

1. Targets for enhancing the Board functions: The Company had already established the "Rules of Procedure for Board of Directors Meetings" which was approved by the Board meeting on November 29th, 2006. This is for the effective establishment of the Board governance system and for a sound monitoring function to strengthen the management function.
2. The Audit Committee and Remuneration Committee and so on functional organizations are established under the Company's Board. The Audit Committee and Remuneration Committee were convened four and two meetings respectively in 2022. executed the meeting convening, proposal discussions and voting according to relevant laws and regulations.
3. Evaluation of the implementation: The company upholds to the principle of transparency in operations. After the Board meetings, the material resolutions are filed on the Market Observation Post System (MOPS) immediately for maintaining shareholder rights and interests.
4. Director's continuous education: Each year, the Company will arrange courses for the directors and supervisors to continue to keep up to date of the laws and regulations, and new knowledge, so as to enhance the professional function of the directors and supervisors.
5. To protect the directors and supervisors from the risks that they bear during the execution of their business, the Company would purchase the "Liability Insurance of Directors and Managerial Officers" for all directors and managerial officers each year.

(2) Operation Status of the Audit Committee:

A total of 4 (A) meetings were held by the Audit Committee in the most recent year, and below are the independent directors' attendance record:

Job title	Name	Attendances in person (B)	Attendance by proxy	Attendance rate (%)(B/A)	Remarks
Independendi rector	L.Y.TU	4	0	100	Date elected 2021.07.29
Independendi rector	S.C.CHEN	4	0	100	Date elected 2021.07.29
Independendi rector	B.Y.YEN	4	0	100	Date elected 2021.07.29

Other disclosures:

I. The date of the meeting, the term, contents of the proposals, independent director'sdissenting and qualified opinion or content of major issue, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shallbe recorded under the following circumstances in the operations of the Audit Committeemeeting.

(I) Matters specified in Article 14-5 of the Securities and Exchange Act.

(II) In addition to matters above, other resolutions that have not been approved by theAudit Committee but have been passed by a vote of two-thirds or more of the entireboard of directors.

Operation Status for the Current Year

Audit Committee	Content of the Proposal and the Follow-up Process	Matters stated in Article 14-5 of the Securities and Exchange Act	The matters failed to be passed by the Audit Committee, but resolved with consents of more than two third of all directors	Independent directors' objections, reservations or major suggestions	Results of resolution of the Audit Committee:	The Company's response to the Audit Committee's Opinion
2022.03.22 1st Term 3rd Time	1. Evaluation of the CPAs' independence and appointment for the independent audit of the Company's financial statements.	V	None	None	Passed by all members of the Audit Committee.	Passed by all attending members of the Board.
	2. The Company's 2021 Business Report and	V				

	Financial Statements.					
	3. The Company's 2021 Appropriation of Earnings.	V				
	4. Issuance of the Company's 2021 "Statement of Internal Control System" according to the regulations.	V				
	5. Amended partial articles of the Company's "Articles of Incorporation."					
	6. Amended partial articles of the Company's "Procedures for Acquisition or Disposal of Assets."	V				
	7. Due to business needs, the Company has negotiated with relevant financial institutions on the current status of the loan amount.	V				
2022.05.10 1st Term, 4th Time	1. The Company's 2022 Q1 Business Report and Financial Statements.		None.	None.	Passed by all members of the Audit Committee.	Passed by all attending members of the Board.
	2. Matters pertaining to the purchasing of the "Professional Liability Insurance for the Directors, Supervisors and Managerial Officers."	V				
	3. Due to business needs, the Company has negotiated with relevant financial institutions on the current status of the loan amount.	V				
2022.08.10 1st Term, 5th Time	1. The Company's Business Report and Financial Statements for the Upper Half of 2022.	V	None	None	Passed by all members of the Audit	Passed by all attending members of the Board.

	2. Due to business needs, the Company has negotiated with relevant financial institutions on the current status of the loan amount.	V			Committee.	
2022.11.10 1st Term, 6th Time	1. Business report and financial report of the Company for the prevous three quarters of 2022.		None	None	Passed by all members of the Audit Committee.	Passed by all attending members of the Board.
	2. The Company's 2023 Internal Audit Plan.	V				
	3. Partial amendments to articles concerning the Company's "Internal Control Systems."	V				
	4. Changes to the independent auditors responsible for of the Company's financial report due to internal adjustments within the CPA firm.	V				
	5. Status of negotiated loan credit negitated with relevant financial institutions due to the Company's business needs.	V				

II. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusals, and results of voting shall be specified：N/A.

III. Communication between the independent directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances):

The Company's Head of Audit would execute and follow-up with several audit work according to the annual audit plan. The results of the several audits will be reported to each independent director after the completion of the audit work each month. The communications channels have been smooth; the CPAs will attend the Audit Committee meetings at least twice a year to report on and explain the overview of the company's finance. In addition, the CPAs will communicate and explain the latest laws and regulations by competent authority, amendments to the newly issued Bulletin, finance and taxation information and audit results of the recent period to each of the independent directors.

(3) Corporate governance implementation and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx ListedCompanies and the reason for such deviations

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. Has the company defined and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		1. The company has established the "Corporate Governance Code of Conduct." 2. It has been disclosed on the company website.	No significantdifference.
2. Shareholding structure and shareholders' equity (1) Has the company defined internal operating procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures?	V		(1) The company has already established the internal procedures for assigning a dedicated personnel and IR mailbox for proper handling of the shareholders' suggestions, doubts and so on matters.	No significant difference.
(2) Does the company have a list of major shareholders that have actual control over the company and a list of ultimate owners of those major shareholders?	V		(2) The company has already established the shareholders' meeting rules, set up mailbox on the website, and has a dedicated stock affairs personnel to coordinate with the professional shareholder services agency in managing a list of major shareholders at all times and to disclose important matters pertaining to their pledges, increase or decrease of company shares.	
(3) Has the company established and implemented risk management and firewall systems within its conglomerate structure?	V		(3) The financial and business conduct of the company are proceeded with in accordance to relevant laws and regulations, and their procedures and internal control system. They should not be any different due to the counterparty who is an affiliate. If the transaction involves related party to the company, related information shall be disclosed in the annual report with initiatives.	
(4) Does the company have internal regulations in place to prevent its internal staff from trading securities based on information yet to	V		(4) The company has already established the internal rules such as the material information handling procedures, procedures for application to temporarily stop and to	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
be public on the market?			resume transactions, and so on, and prohibits insiders from utilizing the undisclosed information to trade securities.	
3. Composition and responsibilities of the board ofdirectors (1) Has the board of directors drawn up policies and specific targets on diversity of its members and implemented them?	V		(1) 1. On November 10th, 2014, the Company's 17th Board of Directors meeting, 11th time, had passed the establishment of the "Corporate Governance Code of Conduct." The diversity guideline has been formulated in Article 20. The nomination and selection of the Company's Board of Directors member abides by the Company's Articles of Incorporation, adopting the candidates nomination system. The qualifications of each candidates in academic and work experiences are evaluated, the individual director's appraisal results would also be referenced. The "Rules Governing the Election of Directors" and "Corporate Governance Code of Conduct" are adhered to in ensuring the diversity and independence of the Board members. 2. The Company's 20th Board members name list shows an enhancement to the effectiveness of the Board functions and to the implementation of the diversity guidelines with the members' age, academic background, practice and management and so on aspects. 3. The diversity policy was formulated in regard to the member formation of the Board. The policy has been disclosed on the company website and the MOPS. 4. The directors who are employees of the Company stands at 20%, independent directors stand at 60%, women directors stand at 100%. Years of service for two independent directors are under three years, and for one independent director are between 4~9 years.	No significant difference. Considering the company's operation scale and management cost, other functional committees have not yet been created. The

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			There are three directors at the age of 70 years and more, and two directors at the age of 60 years and below. Due to the characteristics of the industry, the Company emphasize on the gender of the Board member to get up to 60% and more in the ratio of women directors. The goal has been reached at the 20th Board of Directors meeting. For the purpose of sustaining constantly steady company operations, it is hoped to attain a certain proportion of directors' background in finance and legal aspects. There are two directors for this term with finance background and two members with legal background, meeting the target of the company.	overall Board operations adhere to the Board meeting rules and other related regulations thoroughly, meeting the corporate governance spirit and there have been no significant differences.
(2) In addition to establishing a Remuneration Committee and an Audit Committee, which are required by law, is the company willing to voluntarily establish other types of functional committees?		V	(2) Other functional committees have not yet been created.	
(3) Has the company established guidelines and methods for evaluating the performance of the board of directors, conducted performance evaluation annually, reported the results to the board, and used the results as a reference for the remuneration, nomination, and reelection of individual directors?	V		(3) The Company has established the Board performance evaluation regulations and acted accordingly. The evaluation results have been reported to the Company's 20th Term 8th Time Board meeting on March 14th, 2023.	No significant difference.
(4)Does the company regularly evaluate the independence of CPAs?	V		(4) The Company evaluates the independence and appropriateness of the CPAs at least once a year on the following: The CPA firm's scale and reputation, number of years it provides audit service, nature and degree of its non-audit services, audit fees, appraisal by industry	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			peer, whether it has any cases of litigations or competent authority corrections and investigations, its audit service quality, and interactions between management level and internal audit officer. The company has obtained the related information and independence declaration from the CPAs and their firm. The Board or approved by the Board of Directors or Audit Committee on March 14th, 2023 and March 22nd , 2022 respectively in the past two years.	
4. For TWSE/TPEx-listed companies, are there suitable persons in an appropriate number and designated supervisors for corporate governance to take charge of related matters (including but not limited to providing directors and supervisors with materials required for them to carry out their tasks, helping directors and supervisors comply with the law, taking care of board of directors'meetings and shareholders' meetings as required by law, and preparing minutes of board of directors' meetings and shareholders' meetings)?	V		The company has already appointed a part-time personnel to be responsible for corporate governance related affairs. Weighing on the company operations and patter, a corporate governance officer has not been established. Currently, the assisting unit helping in the execution matters of the Board, Audit Committee, Remuneration Committee and shareholders' meetings and information compilation, is the corporate governance department. A corporate governance officer shall be established depends on subsequent laws and regulations of the competent authority.	No significant difference.
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers,suppliers, etc.), and properly respond to corporate social responsibility issues that stakeholders are concerned about?？	V		1. Company website: www.reward.com.tw 2. Related personnel with duties and authority of the stakeholders: Please refer to the table below.	No significant difference.

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	

Stakeholders	Material topics of concern	Major responsibilities of the company	Communications channels and response methods
Shareholders and investors	1. Market image 2. Economic performance 3. Investors relationships 4. Legal compliance in social aspects 5. Legal compliance in product responsibilities	1. Comply with the several latest laws and regulations and policies amendments of the competent authority. Make rapid responses and adjust the company's information disclosure contents. 2. Provide timely, simultaneous, accurate company financial and business information. Commits to equality of disclosure for the investment information. 3. Long term and stable dividends policy, providing an appropriate investment return. 4. Maintain stable finance, sustaining a good company credibility and operation performance.	1. Contact window: Mr. Yang, management department TEL: (02)2781-1161#157 2. Annual General Meeting of Shareholders. 3. Organize corporate briefing sessions and release the quarterly financial report and operations information. 4. Release materials information to the Market Observation Post System of the Taiwan Stock Exchange and the company website. 5. Irregular news release or press conference to conduct explanation where the need arises. 6. Set up an email and contact phone on the company website to build a smooth communications channel between the investors and the company.
Customers	1. No discrimination 2. No forced labor 3. Anti-corruption 4. Legal compliance in environmental aspects 5. Supplier environmental evaluation 6. Legal compliance in social aspects 7. Customer privacy 8. Legal compliance in product responsibility	1. Provide products with the most competitiveness and high quality. 2. Forge a close, long term, and mutual trust business partner relationship with customers. 3. Advocate to all employees on abiding to confidentiality agreement and personal information protection.	1. Contact window: Mr. Shih, Manager, Sales Department. TEL: (02)2781-1161#158 2. Customer satisfaction interview visit. 3. Irregular participation in several technical forums, seminars and speeches. 4. Cooperate with the requests and audit of customers on product, environment and responsibilities, and work together in prevention and continuous improvements.

<table>
<tr><th rowspan="2" colspan="4">Evaluation item</th><th colspan="3">Operating status</th><th rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td>Suppliers</td><td>1. Market image
2. Legal compliance in environmental aspects
3. Supplier labor evaluation
4. No discrimination
5. No forced labor
6. Anti-corruption
7. Legal compliance in social aspects and supplier social impact assessment
8. Legal compliance in product responsibility</td><td colspan="3">1. Legal and fair trade.
2. Understand matters of precaution on the environment, health and safety.
3. Understand and provide related assistance to the company’s practice in social responsibilities.
4. Legal suppliers or agent selection.</td><td>1. Contact window: Mr. Wu, Deputy Factory Manager, Management Section
TEL: (03)490-4311#103
2. Provide required product certifications or through third party laboratory.
3. Incoming materials testing samples to be sent to the laboratory of the factory for testing.
4. Inspections of suppliers and vendors.</td></tr>
<tr><td></td><td>Employees</td><td>1. Labor-management relations
2. No discrimination
3. No forced labor
4. Anti-corruption
5. Occupational health and safety
6. Diversity and equality opportunities
7. Legal compliance in social aspects</td><td colspan="3">1. Ensure and respect human rights.
2. Employee development.
3. Legal and fair evaluations and treatment.
4. Fire safety education.
5. Health and safety of environment.
6. Flexible benefits and health promotion.
7. Labor-management meetings implementation.
8. Labor unions communications and coordination.</td><td>1. Contact window: Mr. Chen, Factory Manager, Management Section
TEL: (03)490-4311#101
2. Management and employees’ communications meetings from time to time.
3. Sexual harassment employee complaint hotline and mailbox
TEL: (03)490-4311#103
Mailbox: swhr@reward.com.tw
4. Provide employee free health checkups and consultation each year.
5. Provide occupational trainings and coaching to the company elites for obtaining professional licenses.
6. Employee satisfaction survey.</td></tr>
<tr><td colspan="4">6. Has the company designated a professional shareholder service agency to deal with matters of the shareholders’ meeting?</td><td>V</td><td></td><td>The Company has entrusted the shareholder services agency of Chinatrust Commercial Bank Co., Ltd. to process related matters to stock affairs and shareholders’ meetings.</td><td>No significant difference.</td></tr>
</table>

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
7. Information disclosure (1) Has the company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status?	V		(1) 1.The company has set up a website: www.reward.com.tw 2.The company has complied with relevant regulations for information disclosure. The company's financial, business and insider share ownership situations are provided to the shareholders frequently and timely through the MOPS information system. 3.Resolution matters of the shareholders' meetings are disclosed on the company website. 4.Information are disclosed on the company website for announcement to the public. 5.There is a mailbox set up on the company website for interactions with users.	No significant difference.
(2) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company website)?	V		(2)1.Designated personnel have been appointed responsible for the collection and disclosure of company information. 2.Appointed a company spokesperson and acting spokesperson in representing the company to make statements independently. They are personnel who have thorough understanding of the company's finance and business, and are able to coordinate with the various departments to obtaining related information.	No significant difference.
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed deadline?		V	(3)The company financial report is announced within the stated deadline by the regulations.	To avoid misleading the investment public, the Company makes strong emphasis on announcing information with accuracy. Under the acts of complying with laws and regulations and competent authority's requirements, the company attempts to announce

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
				several financial and business information before the time limit and the company is happy to do so. It is based on the collaborative coordination, information exchanges of the various departments in the future and upgrades to system improvements, which are directions that the company strives for in the future.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights,employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		(1) Since the establishment of the Company, it has all along respected human rights, strengthened employee rights and improved employee benefits as the core thinking. On investor relations, a dedicated personnel and spokespersons to make statements describing the company's operation status have been established; and the company upholds the philosophy of mutual trust with several suppliers to achieve win-win situation. 1. Human rights, employee care: The company has formulated several employee welfare measures, professional trainings, license coaching, and regularly organized labor-management meetings to communicate with and care for employees. 2. Investor relations: The company has set up a spokesperson system. Through email, telephone and so on unified information release channels for proper information equality obligations. 3. Supplier relations: The dealings between the company and suppliers are based on integrity, hoping that both parties can reach mutual assistance, mutual wins, and mutual growth. 4. Stakeholders relations: The investor area has been set up on the company website to implement necessary disclosures to fulfil the obligations of the company.	

Evaluation item	Operating status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			(2) Continuing education of the directors and supervisors: Please refer to the table below. (3) Status of purchasing liability insurance for the company directors and supervisors 1. The Company has in May 2022 completed related insurance procurement matters, related information can be found on the MOPS.	

(2) Continuing education of directors and supervisors (01/01/2022-12/31/2022)

Job title	Name	Date of Training	Training hours	Course content	Organizer
Chairman	Roul-Eel Ying	2022/10/5	3 hours	2022 seminar on information on insider trading laws and regulations compliance	Securities and Futures Institute
		2022/10/21	3 hours	2022 seminar on information on preventing insider trading	Securities and Futures Institute
Director	Y.H.CHAO	2022/07/27	2 hours	Sustainable Development Roadmap – Industry Theme Promotion Conference	Taiwan Stock Exchange
		2022/10/6	3 hours	2022 seminar on Reference Guidelines for Exercise of Duties and Powers by Independent Directors and Audit Committees - released to Assist TWSE and TPEx - Listed Companies in Improving Directors' Functions and Implementing Sustainable Governance	Taiwan Stock Exchange
Independent director	L.Y.TU	2022/05/04	2 hours	International Double Summit – Online Forum	Taiwan Stock Exchange
		2022/07/27	2 hours	Sustainable Development Roadmap – Industry Theme Promotion Conference	Taiwan Stock Exchange
		2022/09/16	3 hours	Seminar on misrepresentation in financial statements and legal responsibilities of directors	Taiwan Corporate Governance Association
Independent director	S.C.CHEN	2022/05/04	2 hours	International Double Summit – Online Forum	Taiwan Stock Exchange
		2022/07/27	2 hours	Sustainable Development Roadmap – Industry Theme Promotion Conference	Taiwan Stock Exchange
		2022/09/29	3 hours	2022 seminar on Reference Guidelines for Exercise of Duties and Powers by Independent Directors and Audit Committees - released to Assist TWSE and TPEx - Listed Companies in Improving Directors' Functions and Implementing Sustainable Governance	Taiwan Stock Exchange
Independent director	B.Y.YEN	2022/05/12	2 hours	International Double Summit – Online Forum	Taiwan Stock Exchange
		2022/07/27	2 hours	Sustainable Development Roadmap – Industry Theme Promotion Conference	Taiwan Stock Exchange

		2022/08/31	1 hour	Digital transformation New Vision	Taiwan Corporate Governance Association
		2022/10/14	3 hours	2022 seminar on Insider trading laws and regulations compliance	Securities and Futures Institute

9. Explain improvements made according to Corporate Governance Evaluation results released in the most recent year by the Corporate Governance Center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement (leave blank if the company was not evaluated):

(1) Improved situations

Corporate governance appraisal headings	Corporate governance rating items	Description
2.25	Have the independent directors of the Company completed the required number of hours for further education according to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies?"	Improvements have been made and related information are disclosed in the Company's Annual Report.
3.14	Does the Company's Annual Report disclose the relation between the performance evaluation of the directors and managerial officers and their remuneration?	Improvements have been made and related information are disclosed in the Company's Annual Report.

(2) Proposal on priority matters for enhancement and measures for situations not yet improved

Corporate governance appraisal headings	Corporate governance rating items	Description
2.21	Has the Company put in place a corporate governance officer to be responsible for corporate governance-related affairs and clarify the scope of his/her duties, authority, and progress made on the Company website and Annual Report?	It is listed as one of the priority items for evaluation and processing. Related information will be included in the Company's Annual Report.

(4) Information on the members of the Remuneration Committee, and operation status:

1. Members of the Remuneration Committee

Identity Type	Qualifications / Name	Professional qualifications and experience (Note 2)	independence compliance（Note 2）	Number of other public companies in which the member also serves as a member of their remuneration committee
Independent director (Convener)	L.Y.TU	Possess more than five years of work experiences for the company business. Previously served at law firm and as the legal consulting lawyer for listed and public company. Currently acts as the Company's independent director and lawyer of a legal firm. There have been no circumstances as stated in Article 30 of the Company Act.	(1) Not employed by the Company or an affiliated business. (2) Not a director or supervisor of the Company or its affiliate. (3) Is not a shareholder that holds more than 1% of the Company's total shares or ranks among the top-ten shareholders. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the thirddegree of kinship, of a managerial officer as stated in (1) or any of the persons mentioned in (2) and (3). (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or moreof the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings. (6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. (7) Not a director, supervisor, or an employee of a company where the Chairman, President or any equivalent position are held by the same person or by his/her spouse separately. (8) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a companyor institution which corresponds with the Company financially or in terms of business. (9) Not a professional individual, nor an owner, partner, director, supervisor, or managerial officer, and the spouse thereof, of a sole proprietorship, partnership, company, or institution that providesauditing service or commercial, legal, financial, or accounting services with a cumulativecompensation not exceeding NT$500 thousand in the past two years for the Company or any ofits affiliates. (10) Not a spouse or a relative within the second degree of kinship with any director. (11) (11) Where the person is not elected in the capacity of the government, a juristic person, or arepresentative thereof as provided in Article 27 of the Company Act.	None.
Independent director	S.C.CHEN	Possess more than five years of work experiences for the company business. Previously served at the Institute of Nuclear Energy Research, Atomic Energy Council, Executive Yuan. Currently serving as the Company's independent director. There have been no circumstances as stated in Article 30 of the Company Act.		None.
Independent director	B.Y.YEN	Possess more than five years of work experiences required by the company business. Previously served as the branch manager and researcher for the audit department of board of directors of finance institutions. Currently acts as the Company's independent director. There have been no circumstances as stated in Article 30 of the Company Act.		None.

2. Operation status of the Remuneration Committee

I. The Company's Remuneration Committee members: 3 persons.

II. Term of office for the current committee members: From August 10th, 2021 to July 28th, 2024. The Committee has held meetings for 2 times (A) in the most recent year. The Committee members' qualifications and attendance:

Job title	Name	Attendances in person (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	L.Y.TU	2	0	100	Convener of the current term, re-elected committee member, shall attend meetings for 2 times.
Member	S.C.CHEN	2	0	100	Re-elected committee member, shall attend meetings for 2 times.
Member	B.Y.YEN	2	0	100	Newly-elected committee member for the current term, shall attend meetings for 2 times.

Other required information for disclosure:

I. In the event that a Remuneration Committee recommendation is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, content of motion, the board's resolution, and the way the company handled the Remuneration Committee's opinions (describe the 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): N/A.

II. If a member had dissenting or qualified opinion on record or stated in writing regarding any resolution passed by the Remuneration Committee, describe the date of committee meeting, term of the committee, content of motion, opinions of all members, and actions taken by the Company in response to the opinion of members: N/A.

III. Matters for discussion and resolution results of the Remuneration Committee, and the company's responses to the members' opinions in the most recent year and as of the annual report publication date are as follows:

Date	Motion	Resolutions	The Company's handling of the Remuneration Committee's opinions
March 22nd, 2022 (5th Term, 2nd Time)	1. The Company's 2021 employee (managerial officers) and directors and supervisors remuneration allocation.	1. Passed as proposed without objection from attending members when asked by the chairperson.	Reported to the board and approved by all attending directors of the board.
November 10nd, 2022 (5th Term, 3nd time)	1. Proposal for the calculation and distribution of the 2022 end-of-year bonuses for directors and managerial officers. 2. Policy and structure for remuneration paid by the Company to directors and managerial officers. 3. Standard for fixed monthly salary for the Company's directors and managerial officers. 4. Monthly fixed salary quantum for the Company's directors and managerial officers in 2023.	1. Passed as proposed without objection from members in attendance following question from Chairperson. 2. Passed as proposed without objection from members in attendance following question from Chairperson 3. Passed as proposed without objection from members in attendance following question from Chairperson 4. Passed as proposed without objection from members in attendance following question from Chairperson.	Reported to the board and approved by all attending directors of the board.

(5) Discrepancies between the implementation of sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and reasons for such discrepancies

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. Has the company established and promoted a sustainable development governance structure and set up a dedicated (or non-dedicated) unit for the promotion of sustainable development, and has the Chairman authorized the senior management to handle relevant issues and does the Chairman supervise the state of affairs with respect to the preceding?		V	Not yet established.	The Company has not yet created the "Corporate Sustainable Development Committee." The establishment of a dedicated (concurrent) unit shall be discussed and formulated based on the regulations of the competent authority in the future depending on the situation and needs.
2. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities according to the materiality principle and devise risk management policies and strategies accordingly?		V	Not yet established.	The Company has not yet created the "Corporate Sustainable Development Committee." The establishment of a dedicated (concurrent) unit shall be discussed and formulated

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
				based on the regulations of the competent authority in the future depending on the situation and needs.
3. Environmental topics				
(1) Has the company established a proper environmental management system based on the characteristics of the industry?	V		(1) The Company has appointed dedicated personnel in environmental protection for the "water, wastes, air and toxics" according to the manufacturing needs and laws and regulations requirements, and the health and safety business officer and the management section manager would conduct the coordination and management in order to maintain the environment and implement the system.	Same as the above.
(2) Is the company committed to improving energy efficiency and using renewable materials that have less impact on the environment?	V		(2) The Company has reused the textile residue materials from the manufacturing wastes as raw materials for organic fertilizers and is committed to re-manufacture the raw materials packaging for use as packaging for finished products.	
(3)Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate countermeasures?	V		(3) Economic activities of human continue to affect climate change. The Company's industry is also not an exception from it. Under the situation where raw materials production and supply continues to decline, the company operations are moving towards elegant, functional and added-value wool top processing manufacturing.	
(4)Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste	V		(4) The main production base of the Company is established in Hsin-Wu mill factory. In recent years, in cooperation with the operation transformation policy, some of the energy intensive	

<table>
<tr><th rowspan="2">Implementation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>in the last two years, and implement policies greenhouse gas reduction, water use reduction, or waste management?</td><td></td><td></td><td>manufacturing have been outsourced to factories in the same industry for processing. Being committed to production procedures improvements and equipment renewal and improvements, there have been some results at this moment. After collection of emissions data over the past two years, and calculating the emissions information by ourselves, the brief disclosure is as follows:

Comparison table for greenhouse gas and water consumption volume and so on carbon emissions
<table>
<tr><th rowspan="2">Year of greenhouse gas inventory</th><th colspan="4">Carbon emissions (kg CO2-e/year)</th></tr>
<tr><th>Natural gas+ Diesel fuel</th><th>Externally-purchased electricity</th><th>Water consumption volume</th><th>Total</th></tr>
<tr><td>2021</td><td>77,687</td><td>956,024</td><td>2,207</td><td>1,035,918</td></tr>
<tr><td>2022</td><td>38,584</td><td>506,272</td><td>1,546</td><td>546,402</td></tr>
<tr><td>2021 - 2022 Annual volume reduction</td><td>39,103</td><td>449,752</td><td>661</td><td>489,516</td></tr>
<tr><td>2021 - 2022 Annual reduction ratio</td><td>8</td><td>92</td><td>0</td><td>100</td></tr>
</table>
On the wastes, there have been no hazardous wastes generated from the company’s production since the past. Due to the characteristics of the natural fiber, the wastes of the production business are domestic wastes which are transported by hiring of qualified clearance company, the remaining are textile residue materials which can be recycled and reused. Brief disclosure as</td><td></td></tr>
</table>

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			follows: Total volume of wastes from Hsin-Wu factory in the most recent two years Unit: Tons <table><tr><td>Year</td><td>Hazardous industrial waste</td><td>Non-hazardous industrial waste</td><td>Reuse volume</td></tr><tr><td>2021</td><td>0</td><td>5.58</td><td>16.02+23.65=39.67</td></tr><tr><td>2022</td><td>0</td><td>2.05</td><td>0(No Mud and waste)</td></tr><tr><td>Note</td><td></td><td>Domestic waste (D-1801)</td><td>Textile residue (sludge + solid form R-0802)</td></tr></table>	
4. Social topics				
(1) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	V		(1) The Company implements the work rules established under the Labor Standards Act and submitted to the competent authority for future reference. The rules are executed in the spirit of self-management and good interactions between labor and management.	Same as the above.
(2) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits) and ensure business performance or results are reflected adequately in employee remuneration?	V		(2) The Company's employee welfare policy is transparent. The calculation and distribution standard of the salaries and wages, and bonus rewards have been based on the regulations for many years. When there are profit earnings for the year, the profits would be appropriated for employee remuneration considering the employee performance appraisal for the allocation in accordance with the Articles of Incorporation. Employee leaves and so on measures for adjusting health and wellbeing are processed according to the relevant laws and regulations.	
(3) Does the company provide employees with a safe and healthy work	V		(3) The Company implements industrial safety according to the relevant health and safety laws and regulations on the employee	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
environment? Are employees trained regularly on safety and health issues?			work environment testing and employee health management checkups, and there are educational trainings and promotions from time to time.	
(4) Has the company implemented an effective training program that helps employees develop skills over the course of their career?	V		(4) The Company provides new employee trainings and also appoints employees to participate in several on-the-job occupational trainings intermittently, encouraging employees for self-learning in further education and guides to obtain various professional licenses.	
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		(5) Even though the Company is a traditional manufacturing industry, its products are marketed globally. It is a member of the U.K. International Association of Wool Textile Laboratories and has been certified for the Oeko-Tex Standard 100 of TESTEX. The products are safe for marketing and sales to Europe and Americas. Related research and development (R&D), procurement, and production have the appropriate internal control procedures in place cooperating with monitoring. The products are of excellent quality and most of the time, we would send samples to the customers for certification before the delivery of goods. Thus, there have been very few occurrences of complaints. The Company highly values the opinions of its customers. The sales unit would keep in contact with the customers. The company has also established a dedicated contact window and mailbox to provide service to the stakeholders in maintaining their rights and interests.	
(6) Does the company implement supplier management policies, requiring	V		(6) Though evaluations were not taken in the past on the suppliers' past record in environmental and social impacts, they are legally	

Implementation item	Implementation status			Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.			established businesses. Our dealings are based on integrity, a win-win situation for mutual benefit. The suppliers that the Company deals with are legally established companies. It is not specified in the contract agreement that the supplier shall comply with related human rights, environmental protection, health and fire prevention regulations. However, when an event that causes harm to the society and environment occurs, the company would certainly terminate the agreement of both parties at any time to realize our mission in corporate social responsibilities.	
5. Does the company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the reports above?		V	Not yet established.	The Company has not yet created the "Corporate Sustainable Development Committee." The establishment of a dedicated (concurrent) unit shall be discussed and formulated based on the regulations of the competent authority in the future depending on the situation and needs.
6. Describe the deviations, if any, between actual practice and the sustainable development principles, if the company has formulated such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies: The company has not formulated a sustainable development code, so this is not applicable.				

<table>
<tr><td rowspan="2">Implementation item</td><td colspan="3">Implementation status</td><td rowspan="2">Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td colspan="5">7. Other important information to facilitate a better understanding of the company’s implementation of sustainable development:
For more than fifty years, the Company is deeply rooted in the wool industry and is committed to the research and development of highly added-value products, and is putting in efforts on improving manufacturing to reduce the burden of industrial production to the environment. All of the water and waste discharge meet the legal standards, and we also collaborate with qualified vendors for waste clearance and transportation. On local community development, the Company makes frequent donations to fire brigades and social charity businesses. The ultimate goal of the Company’s operation is the spirit of giving back to society, creating social co-prosperity, a win-win situation between labor and management.</td></tr>
</table>

(6) Implementation of ethical corporate management and measures and departure from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and approaches				
(1) Has the company implemented a boardapproved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?	V		(1) Upholding the core management philosophy of the company in ethical management, the Company's Board of Directors has passed the establishment of the "Business Integrity Code of Conduct" and for disclosure on the company website. Related units are actively carrying out its implementation.	The Company has established the "Business Integrity Code of Conduct." Relevant regulations are gradually in implementation.
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(2) There is the internal audit unit established within the Company for implementation of various internal control systems. Management level personnel are strictly implementing various prevention measures on business activities with higher risk of unethical behavior. The company would conduct reviews and corrections on the evaluation and analysis for each of the unethical conduct.	

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(3) The Company has established the “Business Integrity Code of Conduct” and other related procedures and regulations to prevent the occurrences of unethical conducts. The management level and Board of Directors are executing several management policies, attending further education in a timely manner, and making timely reviews and corrections where needed.	
2. Implementation of ethical management				
(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 cease dealings immediately with vendors when unethical conducts occur.	No significant difference.

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
(2) Does the company have a dedicated unit responsible for business integrity under the board of directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?		V	(2) Although there has not been a dedicated unit created under the Board of Directors, through the company's relevant control systems and procedures, regular reports are made to every level of unit with division of responsibilities. As of now, the implementation is showing good outcomes and there have not been any occurrences of unethical events happening.	
(3) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	V		(3) The company website or internal and external dedicated mailboxes provide appropriate channels for narratives, and there are dedicated personnel to handle the matters preventing conflicts of interests.	
(4) Does the company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		(4) On the Company's accounting system, the design of the internal control satisfies the rules of related laws and regulations for public companies. It has been working effectively and the regular checks have been reported to the Board of Directors and Audit Committee.	

Evaluation item	Operating status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation
	Yes	No	Summary	
(5) Does the company organize internal and external education and training periodically to help enforce honest operations?		V	(5) Although there have been no regular organization of related trainings, there have been continuous promotion of related philosophy during the company's internal meetings.	
3. Operation of whistleblowing system (1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices? (2) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Has the company provided proper whistleblower protection?	V V V		The Company makes public the contact telephone and spokesperson information. If there are related events, dedicated personnel would be able to handle the matter and the company's management department would adopt the appropriate measures to protect related whistleblower. If investigations prove the event to be factual, the matter would be reported to the senior management where deemed necessary and transferred to related judiciary and intelligence unit for handling.	No significant difference.
4. Improving information disclosure Has the company disclosed the contents or its ethical corporate management principles as well as relevant implementation results on its website and on the Market Observation Post System?	V		The company has established a website and related principles which have been disclosed, and the company already has dedicated personnel responsible for updating the information on the company website.	No significant difference.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operating status</th><th rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">5. If the company has established ethical corporate management principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, describe the difference between the principles and implementation status:
The Ethical Corporate Management Principles have been established by the Company, and they are under execution accordingly.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company’s implementation of ethical corporate management: (such as review and amendment of ethical management rules):
The Ethical Corporate Management Principles have been established by the Company, and since the Company’s establishment for more than 50 years, all of the vendors that we have dealings with have a clear understanding of the company’s philosophy of treating people with sincerity and integrity as the basis. This is the truest exhibition of ethical corporate management.</td></tr>
</table>

(7) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:
The company has established the “Corporate Governance Code of Conduct” and has disclosed it on the internal company website under the “Significant Finance Procedures and Regulations” of the “Corporate Governance” section.

(8) Other significant information which may improve the understanding of corporate governance and operation: N/A.

(9) Implementation of internal control system:

1. Statement on Internal Control

Reward Wool Industry Corporation

Statement of Internal Control System

Date: March 14, 2023

The company hereby makes the following statement about its internal control system for 2022 based on the assessments it performed:

I. The company takes recognizance of the fact that the establishment, execution, and maintenance of its internal control system are the responsibilities of the company's board of directors and managers; such policies have been implemented throughout the company. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability of reports, and compliance with relevant regulatory requirements in reaching compliance targets.

II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, selfsupervision measures were implemented within the company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in Governing Regulations for Public Company's Establishment of Internal Control System (hereinafter called Governing Regulations) that are related to the effectiveness of internal control systems. The measures based on which to evaluate the internal control system adopted under the Governing Regulations are its five underlying elements, namely: 1. control environment, 2. Risk assessment and reaction, 3. control process, 4. information and communication, and 5. supervision. Each of the elements in turn contains certain audit items. Please refer to the Governing Regulations for details.

IV. The company has adopted the aforementioned measures to evaluate the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the aforementioned examination, the company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2022 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, promptness, and transparency of reports, and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This statement constitutes part of the company’s annual report and prospectus, and shall be disclosed to the public. The company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.

VII. This statement was approved unanimously by all 5 Directors present at the meeting of the Board of Directors on March 14, 2023.

Reward Wool Industry Corporation

Chairperson and President: Roul-Eel Ying

2. The audit reports the certified public accountant shall be disclosed if the certified public accountant is engaged to conduct a special audit of the internal control systems: None.

(10) The penalties, major deficiencies, and improvement status for penalties that are imposed on the Company or internal personnel by law or imposed on internal personnel by the Company for violating the provisions of the internal control system, as well as their possible significant impact on shareholders' equity or stock prices in the past year and up to the publication date of this annual report: None.

(11) Important resolutions made during shareholders' meetings and board of directors' meetings in the past year and up to the publication date of this annual report

1. Shareholders' meeting

2022	
Date of meeting	Important resolutions
June 21st, 2022	Proposed resolutions: 1. Passed as proposed without objection on the Company's 2021 Business Report and Financial Statements. Execution status: Not applicable. 2. Passed as proposed without objection on the Company's 2021 Appropriation of Earnings. Execution status: Execution has been completed according to the shareholders' meeting resolution. Discussion matters: 1. Passed as proposed without objection on the amendments to partial articles of the Company's "Articles of Incorporation." Execution status: The change registration application has been completed according to the shareholders' meeting resolution. 2. Passed as proposed without objection on the amendments to partial articles of the Company's "Procedures for Acquisition or Disposal of Assets." Execution status: Amendments have been completed according to the shareholders' meeting resolution and is under implementation. As of now, all of the resolved proposals have been executed. Extraordinary Motion: None

2. Board of Directors

2022	
Date of meeting	Important resolutions
March 22nd, 2022 20th Term, 4th Time	Discussion matters: Execution status: Execution for all the matters discussed below has been completed according to the resolution results. 1. Items discussed and continued from the last meeting: None. 2. Items for discussion at this meeting. (1) Passed as proposed without objection on the independence evaluation and appointment of the CPAs for the Company's financial statements. (2) Passed as proposed without objection on the Company's 2021 employee (possessing identity of managerial officer) and directors and supervisors' remuneration distribution. (3) Passed as proposed without objection on the Company's 2021 business report and financial statements. (4) Passed as proposed without objection on the Company's 2021 Appropriation of Earnings. (5) Passed as proposed without objection on the Company's 2022 Business Plan Overview. (6) Passed as proposed without objection on the Company's 2021 "Internal Control Systems Statements." (7) Passed as proposed without objection on the amendments to partial articles of the Company's "Articles of Incorporation." (8) Passed as proposed without objection on the amendments to partial articles of the Company's "Organization Charter" and "Organization System Chart." (9) Passed as proposed without objection on the amendments to partial articles of the Company's "Procedures for Acquisition or Disposal of Assets." (10) The date, place and reasons for convening the Shareholder's Meeting for 2022. (11) Passed as proposed without objection on the Company's negotiation with relevant financial institutions on the current status of the loan amount, due to business needs.
May 10th, 2022 20th Term, 5th Time	Discussion matters: Execution status: Execution for all the matters discussed below has been completed according to the resolution results. 1. Items discussed and continued from the last meeting: None. 2. Items for discussion at this meeting. (1) Passed as proposed without objection the Company's 2022 Q1 Business Report and Financial Statements. (2) Passed as proposed without objection on matters regarding purchasing of the "Professional Liability Insurance for the Directors, Supervisors and Managerial Officers." (3) Passed as proposed without objection on the Company's

	negotiation with relevant financial institutions on the current status of the loan amount, due to business needs.
August 10th, 2022 20th Term, 6th Time	Discussion matters: Execution status: Execution for all the matters discussed below has been completed according to the resolution results. 1. Items discussed and continued from the last meeting: None. 2. Items for discussion at this meeting. (1) Passed as proposed without objection on the Company's Business Report and Financial Statements for the Upper Half of 2022. (2) Passed as proposed without objection on the Company's negotiation with relevant financial institutions on the current status of the loan amount, due to business needs.
November 10th, 2022 20th Term, 7th Time	Items of Discussion: Execution status: All of the following items for discussion have been, in accordance to the resolution outcomes, brought to completion. 1. Items discussed which are a continuatnion from the previous meeting: None. 2. Items for discussion at this meeting: (1) Passed the Company's 2022 Q3 Business Report and Financial Statements as proposed. (2) Passed the Company's 2023 audit plan as proposed. (3) Passed the calculation and distribution plan for 2022 end-of-year bonuses for the Chairperson and managerial officers of the Company as proposed. (4) Passed the 2023 monthly fixed salaries of the Chairperson and managerial officers as proposed. (5) Passed the appointment of CPAs for the Company's financial report due to an internal rotation in the CPA firm as proposed. (6) Passed the partial amendments to articles of the "Rules of Procedure for Board of Directors Meetings" as proposed. (7) Passed the amendments to partial articles of the "Corporate Governance Code of Conduct" of the Company as proposed. (8) Passed the amendments to partial articles of the "Procedures for Handling Material Inside Information" of the Company as proposed. (9) Passed the amendments to partial articles of the "Internal Control System" of the Company as proposed. (10) Passed the partial amendments to articles of the "Shareholders' Meeting Rules" of the Company as proposed. (11) Passed the need for the Company to negotiate its loan credit status with the relevant financial institutions due to business needs as proposed.

(12) Dissenting or qualified opinions of directors or supervisors against an important

resolution passed by the board of directors that are on record or stated in a written statement in the past year and up to the printing date of this annual report: None.

(13) Summary of resignation or dismissal for chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and research and development officer in the past year up to the printing date of this annual report: None.

5. Audit Fees

Amount unit: NTD in thousands

<table>
<tr><th>Name of accounting firm</th><th>Name of certified public accountants</th><th>Accountant's duration of audit</th><th>Audit fee</th><th>Non-audit fee</th><th>Total</th><th>Remarks</th></tr>
<tr><td rowspan="3">Ernst & Young, Taiwan</td><td>Hsu, Hsin-Min</td><td>2022.01.01-2022.12.31</td><td rowspan="3">1,520</td><td rowspan="3">0</td><td rowspan="3">1,520</td><td rowspan="3">Accounting firms are required to conduct internal rotations in accordance with relevant laws and regulations.</td></tr>
<tr><td>Ian Wang</td><td>2022.01.01-2022.11.10</td></tr>
<tr><td>Yang, Chih-Huei</td><td>2022.11.10-2022.12.31</td></tr>
</table>

(1) Please give specific descriptions on the audit fee service: N/A.

(2) For fees paid to certifying accountants, the firm of the certifying accountants, and its affiliates, if non-audit fees exceed 25% of the audit fees then the amount of the audit and non-audit fees should be disclosed along with the nature of the non-audit service: N/A.

(3) If the accounting firm has been changed and the annual audit fees were lower for the year of the firm change compared to that of the previous year, audit fees before and after the changes and the reason for such changes should be disclosed: N/A.

(4) If the audit fees have decreased by more than 10% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: N/A.

6. Information on Replacement of CPA:

(1) On the predecessor CPAs

<table>
<tr><td>Date of replacement</td><td colspan="4">November 10th, 2022</td></tr>
<tr><td>Reason for replacement and explanation</td><td colspan="4">Due to the internal job rotation of Ernst & Young based on related laws and regulations, the original CPAs Hsu, Hsin-Min and Ian Wang were replaced by Hsu, Hsin-Min and Yang, Chih-Huei, starting 2022 Q4.</td></tr>
<tr><td rowspan="3">Explanation of the termination or rejection of appointment by the appointer or CPAs</td><td colspan="2">Parties involved / Circumstance</td><td>Certified Public Accountant</td><td>Appointer</td></tr>
<tr><td colspan="2">Active termination</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Appointment rejected (discontinued)</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Opinions other than unqualified opinions on the audit reports over the past two years, and the reasons</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Is there any disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles and practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">The scope or steps ofthe audits</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other disclosure matters (Matters to be disclosed as set out in items 1-4 to items 1-7 of Subparagraph 6 of Article 10 of these Regulations)</td><td colspan="4">None</td></tr>
</table>

(2) On the successor CPAs

Name of the CPA firm	Ernst & Young, Taiwan
Name of the CPAs	Hsu, Hsin-Min, Yang, Chih-Huei
Date of appointment	November 10th, 2022
Consultancy and results before appointment concerning the accounting practices or principles for specific transactions and the opinions possibly offered on financial statements	No such situation.
New CPA's written opinion on the matters on which the former CPA had different opinions	No such situation.

(3) Former independent auditor’s replies relating to Items 1 and 2-3, Subparagraph 6, Article 10 of the “Regulations”: Not applicable.

7. The Facts About the Company Chairperson, President, Managerial Officer in Charge of Financial or Accounting Affairs Having Served with the CPA Firm or the Affiliation Thereof Over the Past Year, Shall Disclose His/Her Name, Position and the Period at the CPA Firm or the Affiliation: N/A.

8. Changes in the Transfer or Pledge of Shares by Directors, Supervisors, Managerial Officers, and Shareholders Holding over 10% of the Outstanding Shares in the Preceding Year and by the Date of Annual Report Publication

(1) Change in share equity among directors, supervisors, managers, and major shareholders

Unit: Shares

<table>
<tr><th rowspan="2">Position</th><th rowspan="2" colspan="2">Name</th><th colspan="2">2022</th><th colspan="2">Current year (as of April 22nd, 2023)</th></tr>
<tr><th>Net Change in Shareholding</th><th>Net Change in Shares Pledged</th><th>Net Change in Shareholding</th><th>Net Change in Shares Pledged</th></tr>
<tr><td rowspan="2">Director</td><td colspan="2">Mindtown Investment Co., Ltd.</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Roul-Eel Ying</td><td>Mindtown Investment Co., Ltd. Representative</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Director</td><td colspan="2">Litai Investment Co., Ltd.</td><td>17,000</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Y.H.CHAO</td><td>Litai Investment Co., Ltd. Representative</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent director</td><td colspan="2">S.C.CHEN</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent director</td><td colspan="2">L.Y.TU</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Independent director</td><td colspan="2">B.Y.YEN</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Chairperson and President</td><td colspan="2">Roul-Eel Ying</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Vice Ppresident</td><td colspan="2">M.L. YU</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Hsin-Wu Mill factory manager and R&D Department manager</td><td colspan="2">S.H. CHEN</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Manager, Sales Department and Liu-Tu Mill Factory Manager</td><td colspan="2">Y.T. SHIH</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Manager, Management Department and Finance and Accounting Officer</td><td colspan="2">T.W. YANG</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Audit Officer</td><td colspan="2">K.Z. HUANG</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Majority Shareholder</td><td colspan="2">Hengchang Investment Co., Ltd.</td><td>2,427,000</td><td>0</td><td>531,000</td><td>0</td></tr>
</table>

(2) The counterparty in any equity transfer or pledged is a related party: None.

9. Information of Top Ten Shareholders with Mutual Relationship of Related Parties, Spouse, or Relatives in the Second Degree:

Related Party Relationship among Top Ten Largest Shareholders

April 22nd, 2023

NAME	SHARES HELD		SHARES HELD BY SPOUSE AND MINORS		SHARES HELD IN THE NAME OF OTHERS		NAME AND RELATIONSHIP BETWEEN THE COMPANY'S SHAREHOLDERS		NOTE
	Number of Shares	Percentage %	Number of Shares	Percentage %	Number of Shares	Percentage %	Name	Relationship	
Mindtown Investment Co., Ltd.	20,777,070	15.01	0	0.00	0	0.00	Hengchang Investment Co., Ltd.: Substantive related party relationship Litai Investment Co., Ltd. Representative: Substantive related party relationship Ing Chang Ki Weichi Educational Foundation: Substantive related party relationship		
Representative: Roul-Eel Ying	0	0.00	0	0.00	0	0.00			
Hengchang Investment Co., Ltd. Representative:	18,249,586	13.19	0	0.00	0	0.00	Mindtown Investment Co., Ltd. Representative: Substantive related party relationship Litai Investment Co., Ltd. Representative: Substantive related party relationship Ing Chang Ki Weichi Educational Foundation: Substantive related party relationship Hongchang Investment Co., Ltd.: Substantive related party relationship		
Hongchang Investment Co., Ltd.	0	0.00	0	0.00	0	0.00			
Litai Investment Co., Ltd. Representative:	15,035,257	10.86	0	0.00	0	0.00	Mindtown Investment Co., Ltd. Representative: Substantive related party relationship Hengchang Investment Co., Ltd.: Substantive related party relationship Ing Chang Ki Weichi Educational Foundation: Substantive related party relationship Hongchang Investment Co., Ltd.: Substantive related party relationship		
Hongchang Investment Co., Ltd.	0	0.00	0	0.00	0	0.00			
CATHAY CHEMICAL WORKS, INC.	12,560,600	9.08	0	0.00	0	0.00	Hengchang Investment Co., Ltd.: Appointed person elected as the company's chairperson Litai Investment Co., Ltd. Representative: Substantive related party relationship Mindtown Investment Co., Ltd. Representative: Substantive related party relationship		
Representative: Roul-Eel Ying	0	0.00	0	0.00	0	0.00			
Chia-Mei Liao	6,551,000	4.73							
Kuo-Liang Chao	3,916,600	2.83							
JIAN - KAI PROPERTY MANAGEMENT CO., LTD.	3,715,000	2.68	0	0.00	0	0.00	None.		
Ing Chang Ki Weichi Educational Foundation	3,521,786	2.54	0	0.00	0	0.00	Mindtown Investment Co., Ltd. Representative: Substantive related party relationship Hengchang Investment Co., Ltd.: Substantive related party relationship Litai Investment Co., Ltd. Representative: Substantive related party relationship		
Representative：Roul-Eel Ying	0	0.00	0	0.00	0	0.00			
SHIN HO SING OCEAN ENTERPRISE CO., LTD.	2,483,362	1.79	0	0.00	0	0.00	None.		
Representative: Ching-Feng Wu	0	0.00	0	0.00	0	0.00			
He Jian De	2,113,000	1.53							

10. Investments Jointly Held by the Company, the Company's Directors, Supervisors, Managerial Officers, and Enterprises Directly or Indirectly Controlled by the Company, with Shareholding Disclosed in Aggregate of the Said Parties

April 22nd, 2023

Unit: Shares

Non-consolidated affiliates	The Company's investment		Investments by the Company's directors, supervisors, managerial officers and affiliates of direct or indirect control		Total investment	
	Number of Shares	Percentage %	Number of Shares	Percentage %	Number of Shares	Percentage %
Reward(Ningbo) Wool Industry Co .,Ltd.	715,503	23.85	-	-	715,503	23.85

D. Capital Overview

1. Capital and shares

(1) Capitalization

Year / Month	Offering Price	Authorized Share Capital		Capital Stock		Note		
		Number of Shares (thousands of shares)	Amount (thousand NTD)	Number of Shares (thousands of shares)	Amount (thousand NTD)	Capitalization	Substitution of capital stock with assets other than cash	Others
1964 to 1995	$10 to $20	179,300	1,793,000	179,300	1,793,000	Cash, earnings and reserve	None	None
2008	$10	179,300	1,793,000	175,000	1,750,000	Cancellation of treasury stock $43 million	None	Official letter issued by Ministry of Economic Affairs, No. 09701321950, dated December 24th, 2008.
2015	$10	179,300	1,793,000	173,000	1,730,000	Cancellation of treasury stock worth $20 million	None	Official letter issued by Ministry of Economic Affairs, No. 10401066690, dated April 17th, 2015.
2018	$10	179,300	1,793,000	138,400	1,384,000	Cash capital reduction by $346,000 thousands	None	Official letter issued by Ministry of Economic Affairs, No. 10701115060, dated September 19th, 2018.

Unit: Thousands of shares

Type of Shares	Authorized Share Capital			Note
	Outstanding shares (Listed share)	Unissued shares	Total	
Common share	138,400	40,900	179,300	

Information for shelf registration: Not applicable

(2) Composition of Shareholders

April 22nd, 2023

Composition of Shareholders / Amount	Government Agencies	Financial institution	Other Juridical Persons	Individual	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	2	147	24,587	35	24,771
Shareholding	0	2,404	80,047,440	56,769,711	1,580,445	138,400,000
Shareholding Percentage	0.00%	0.00%	57.84%	41.02%	1.14%	100.00%

(3) Distribution of Shareholding

April 22nd, 2023

Shareholding Range	Number of Shareholders	Shareholding	Shareholding Percentage %
1 - 999	21,435	2,291,066	1.66
1,000 - 5,000	2,499	5,059,131	3.66
5,001 - 10,000	392	3,042,779	2.20
10,001 - 15,000	97	1,207,087	0.87
15,001 - 20,000	88	1,542,984	1.11
20,001 - 30,000	74	1,836,265	1.33
30,001 - 40,000	35	1,237,592	0.89
40,001 - 50,000	29	1,353,289	0.98
50,001 - 100,000	41	3,069,832	2.22
100,001 - 200,000	34	4,790,025	3.46
200,001 - 400,000	18	5,202,568	3.76
400,001 - 600,000	5	2,387,321	1.72
600,001 - 800,000	2	1,324,000	0.96
800,001 - 1,000,000	3	2,656,000	1.92
Over 1,000,001	19	101,400,061	73.26
Total	24,771	138,400,000	100.00

Preferred Share: None

(4) Major Shareholders (Top 10 Shareholders)

April 22nd, 2023

Share / Major Shareholders	Shareholding	Shareholding Percentage %
Mindtown Investment Co., Ltd.	20,777,070	15.01
Hengchang Investment Co., Ltd.	18,249,586	13.19
Litai Investment Co., Ltd.	15,035,257	10.86
CATHAY CHEMICAL WORKS, INC.	12,560,600	9.08
Chia-Mei Liao	6,551,000	4.73
Kuo-Liang Chao	3,916,600	2.83
JIAN - KAI PROPERTY MANAGEMENT CO., LTD.	3,715,000	2.68
Ing Chang Ki Weichi Educational Foundation	3,521,786	2.54
SHIN HO SING OCEAN ENTERPRISE CO., LTD.	2,483,362	1.79
He Jian De	2,113,000	1.53

(5) Information Regarding Market Price, Net Value, Earnings, and Dividend Per Share for the Most Recent Two Years

Items \ Year			2021	2022	Current year (as of April 22nd, 2023)
Market Price Per Share (Note 1)	Highest Market Price		25.80 NT$	21.65 NT$	21.45 NT$
	Lowest Market Price		15.15 NT$	18.30 NT$	20.05 NT$
	Average		19.76 NT$	19.61 NT$	20.51 NT$
Net Worth Per Share (Note 2)	Before Distribution		22.49 NT$	21.99 NT$	- NT$
	After Distribution		21.74 NT$	- NT$	- NT$
Earnings per share (EPS)	Weighted Average Shares		138,400 thousand shares	138,400 thousand shares	138,400 thousand shares
	Earnings Per Share (loss) (Note 3)		1.11 NT$	0.53 NT$	- NT$
Dividends Per Share	Cash Dividends		0.75 NT$	0.20 NT$	- NT$
	Stock Dividend Distribution	Retained Shares Distribution	- NT$	- NT$	- NT$
		Capital Reserve Shares Distribution	- NT$	- NT$	- NT$
	Accumulated Undistributed Dividend (Note 4)		- NT$	- NT$	- NT$
Return on Investment	Price/Earnings Ratio (Note 5)		17.80	37.00	-
	Price/Dividend Ratio (Note 6)		26.35	98.05	-
	Cash Dividend Yield (Note 7)		3.80%	1.02%	-

Note 1: Set forth the highest and lowest market prices for each year, and calculate each year's average market price based upon that year's transaction value and transaction volume.
Note 2: Please fill in according to the issued number of shares at the end of the year and resolution for distribution by the Board of Directors or the following year's shareholders meeting.
Note 3: If there is a retroactive adjustment due to stock dividends, etc., the earnings per share before and after the adjustment should be shown.
Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profits, the amount of cumulative undistributed dividends up till the current year is disclosed separately.
Note 5: Price to earnings 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 dividend per share.
Note 7: Cash dividends yield = dividend per share/average closing price per share for the year.
Note 8: For fields of net value per share and earning per share, shall fill in information audited (reviewed) by CPA in most recent quarter as of the date of report publication; and fill in information of the year as of the date of report publication, for the rest of the other fields.

(6) The company's dividends policy and implementation

1. Dividends policy established by the Company's Articles of Incorporation: The policy is aligned with future development plan and it considers the investment environment and long term financial plan for the needs of operation funds, and set balancing sustainable operations and stakeholders' rights and interests as the goals.The total amount for the distribution of shareholder dividends each year shall not be lower than 40% of the balance for earnings after paying tax, cover cumulative losses and appropriation for reserve. However, when the cumulative distributable earnings are lower than 5% of the paid-in capital, distribution is not allowed. Shareholder dividends and bonuses may be paid in cash or by stock. Cash dividends shall represent at least 50% of total dividends amount.
2. Distribution of dividends proposed at the 2023 Shareholders' Meeting:
   The shareholders' meeting (on June 20st, 2023) discussed the Company's cash dividends distribution proposal by the Board of Directors, with distribution of cash dividends NT$0.20 per share. After the shareholders meeting passed the resolution, the Chairperson was authorized to determine the record date, issue date and other relevant matters.
3. Explanation on dividends policy which is expected to have major changes: None.

(7) Impacts of Proposed Stock Dividends on the Company's Business Performance and Earnings per share (EPS): Not applicable.

(8) Remuneration for employees, directors and supervisors

1. If the Company is profitable in the fiscal year (refers to pre-tax profit before subtracting bonuses and remunerations allocated to employees and directors), no less than 4% of the profit shall be offered as bonuses for employees, and no more than 1% of the profit shall be allocated as remuneration for directors. However, profits must first be taken to offset against cumulative losses if any. Employee remuneration, as mentioned above, can be paid in cash or in shares. Payments may also be made to employees of affiliated companies that satisfy the eligibility criteria set forth by the board of directors. Directors' remuneration may only be paid in cash. The preceding two items shall be determined by the board and reported to the shareholder meetings.
2. The basis for estimating the cash rewards for employees, directors and supervisors of the current period, as well as the basis for calculating rewards for employees in stock/ the accounting procedure in cases when the actual allocated amounts are at variance with the estimated amounts:
   Basis for the estimation of the remuneration to employees and directors in the current period, basis for the calculation of stock dividends for distribution, and the accounting procedure in cases when the actual allocated amounts are at variance with the estimated amounts. The variance would be regarded as changes in estimation and listed as loss or profit for the year of the shareholders' meeting resolution.

3. Distribution of Remuneration Approved by the Board of Directors:
   (1) The amount of remuneration for employees and directors distributed in cash or in stock. If it is different from the amount estimated in the year expense incurred, the amount of difference, causes, and treatment should be disclosed: None.
   (2) The proportion of employee bonus distributed in stock in the combined amount of post-tax net income and employee bonus listed in the non-consolidated financial statement of the period: None.
4. Situations of the actual and recognized distribution for the employee and director remuneration for the previous year: None.

(9) I. Company stock repurchase status (already completed)

Repurchase Terms	Repurchase Purpose	Repurchase Period	Repurchase Price Interval	Types and Quantity of Shares Repurchased	Amount of Shares Repurchased	The Ratio of the Repurchased Quantity to the Quantity of Anticipated Repurchase (%)	Number of canceled and transferred shares	Accumulated Shareholdings of the Company	Accumulated Number of Company Shares Held in Proportion to Total Outstanding Shares (%)
1st Term	Stock Transfer to Employees	8/22/2003 – 10/20/2003	$5.425 to $11.425	Common share 0 Shares	$0	0.00%	0 Shares	0 Shares	0.00%
2nd Term	Stock Transfer to Employees	5/17/2004 – 7/15/2004	$4.06 to $10.63	Ordinary Shares 240,000 shares	$1,343,234	2.68%	240,000 shares	0 Shares	0.00%
3rd Term	Process Share Capital Reduction, Cancellation of Share Capital	8/25/2008 – 10/20/2008	$4.48 to $10.00	Ordinary Shares 4,300,000 shares	$23,817,339	100.00%	4,300,000 Shares	0 Shares	0.00%
4th Term	Process Share Capital Reduction, Cancellation of Share Capital	11/11/2014 – 1/10/2015	$5.45 to $10.40	Ordinary Shares 2,000,000 shares	$15,599,159	100.00%	2,000,000 Shares	0 Shares	0.00%

II. Company Stock Repurchase Status (in process): None.

Repurchase Terms	Repurchase Purpose	Repurchase Period	Repurchase Price Interval	Types and Quantity of Shares Repurchased	Amount of Shares Repurchased	The Ratio of the Repurchased Quantity to the Quantity of Anticipated Repurchase (%)	Number of canceled and transferred shares	Accumulated Shareholdings of the Company	Accumulated Number of Company Shares Held in Proportion to Total Outstanding Shares (%)
-	-	-	-	-	-	-	-	-	-

2. Processing status of corporate bond, preferred stock, global depositary receipt, employee stock option plan, and new restricted employee shares: None.

3. Status of new share issuance in connection with mergers and acquisitions: None.

4. Funding plans and implementation: None.

E. Operation Profile

1. Business Activities

(1) Business Scope

1. Main Businesses and Proportion:

Major Products	Business Proportion
WOOL TOP	69.43%
SUPERWASH WOOL TOP	29.78%
COMMISSION PROCESSING & FATTY ACID	0.79%

2. Current Company Products: Wool tops, superwash wool tops, carbonized wool, short wool tops.
3. New Products Project Development: Continuation of work in the development of special quality and eco-friendly related functions for wool top products.

(2) Industry Overview:

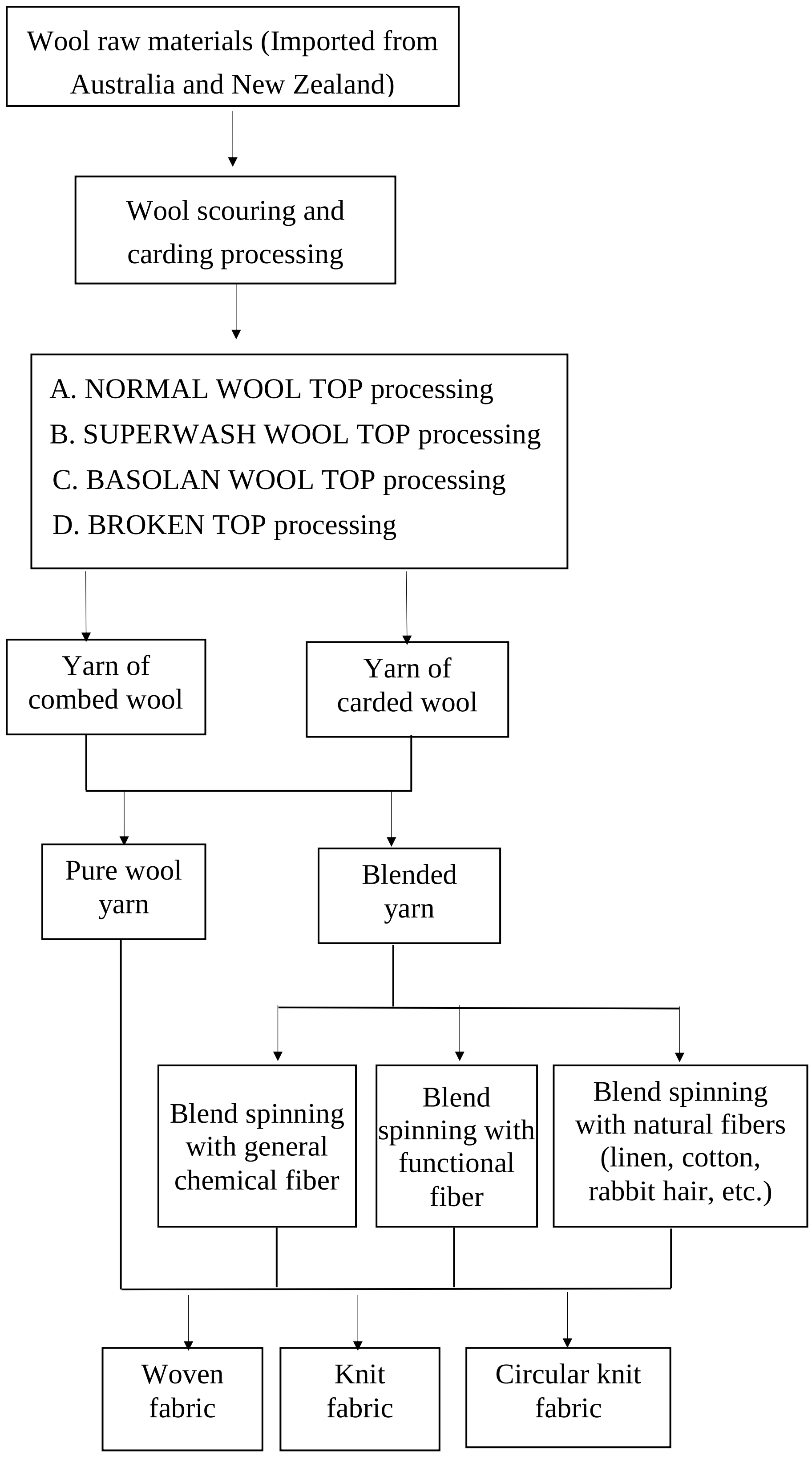
According to the statistical data released by Australia for the 2021/22 wool exports (including scoured wool, carbonized wool, and wool tops), the wool volume showed a significant recovery as a result of a more favorable climate and environment in Australia over the last two years. On top of that, the pandemic situations in Europe and the Americas were gradually opening up their borders. This led to an increase of the total export volume for Australian wool at 13.8% compared to the previous year. The top five export countries are listed as below in sequence: China/India/Italy/Czech Republic/South Korea, and the percentages they account for in the total export were 78.6%, 5.1%, 4.4%, 3.8%, 2.7%, respectively. The percentages for these five export countries sum up to account for 94.6% of the total export volume of Australia.

1. The current status and development of the industry:

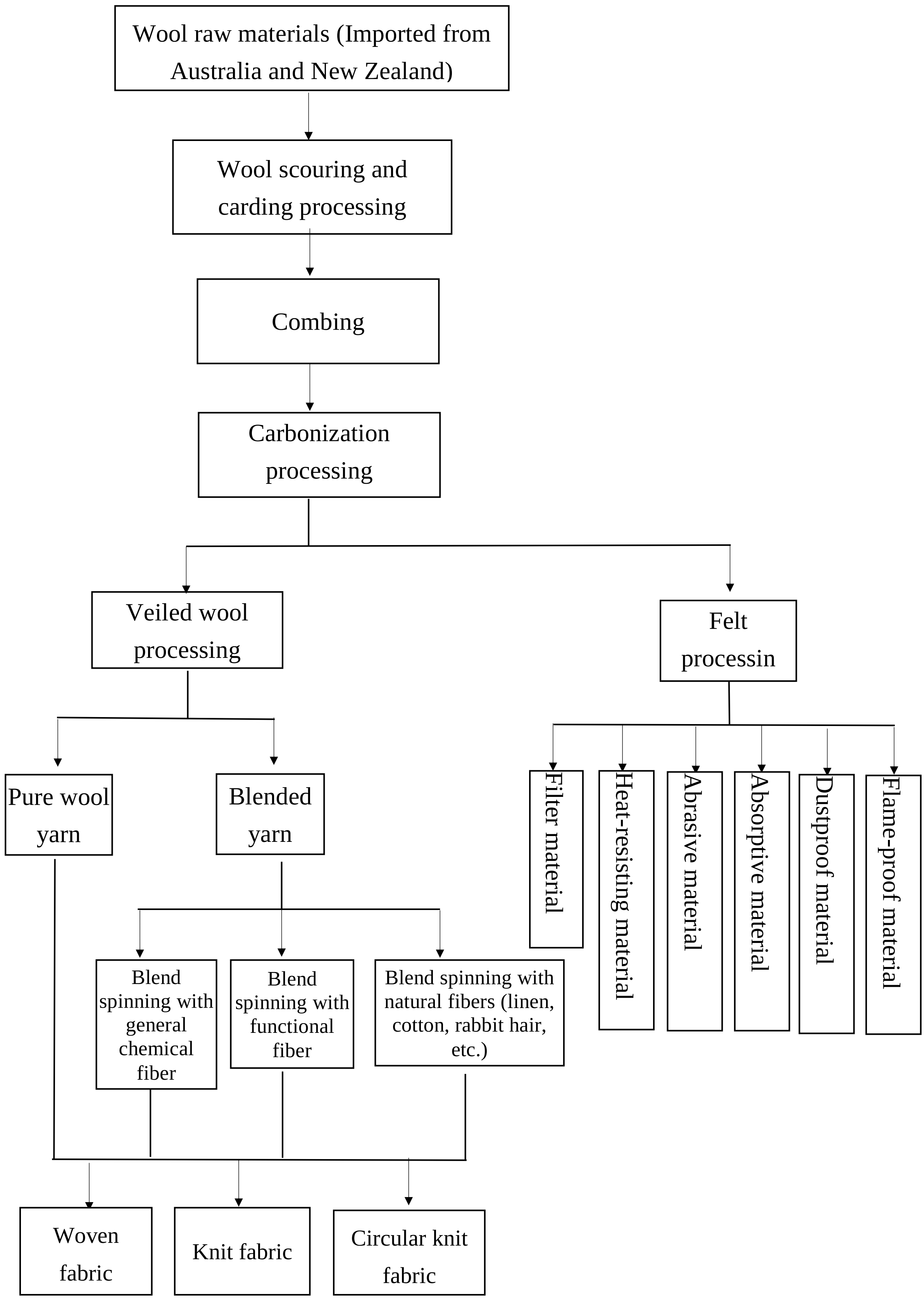
Although the global pandemic has not yet come to an end at this point, after three years of challenging times, various countries are choosing to adopt a virus co-existing policy to save the sluggish economy. The wool market economy will gradually rise leading to a wave of rebound before the end of 2022. On the other hand, the major global import country for wool, China, had at the end of 2022 announced the lifting of all pandemic restrictions. Therefore, it is projected that it would drive another new wave of recovery after the pandemic in the future.

2. Correlation among the upstream, midstream and downstream aspects of the industry:

(I) NORMAL WOOL TOP, SUPERWASH WOOL TOP, BASOLAN WOOL TOP, BROKEN TOP



(II) UNCARBONIZED NOIL



3. Development trends of the products

(I) The abundant rainfall and stable climate in Australia in recent years has resulted in enough pasture and a better feeding environment. However, excess rainfall will impact the quality of the wool. The grass clippings trapped in the wool and the colored wool contents will also increase greatly. Hence, it is anticipated that its fill rate in the future will remain low for the high-quality wool supply volume that the Company has been adopting.

(II) Consumer power shows a sharp drop as a result of global inflation, which has severely affected demands for wool of higher single price. Brand companies have, over the past year, substituted wool with low price cotton or synthetic fibers. This has compressed the demand for wool and its prices. It is anticipated that the economy will gradually recover in the future and it is hoped to bring significant growth for the wool market.

4. Competition:

Due to the mandatory zero-COVID policy in China over the past three years, this created a relatively great impact on its domestic economy. The funds of the enterprises were getting tight, with many wool top processing plants facing sluggish demands on top of the pressure for revolving funds. Many of them used a low-price marketing strategy, which resulted in extreme challenges for the sales business of the Company.

(3) Technology and research and development overview

1. The Company's R&D expenditure amount in the most recent year and as of the annual report publication date as listed in the table below:

Unit: $ in thousands

Year / Amount	2022	As of March 31st, 2023
R&D expenditures	1,775	778

2. Successfully developed technology or products:

A. Research shrink-proof finishing chemical agents for local production supply to replace the imported ones to lower production costs.

B. Continue to improve air-conditioning equipment for load reduction and energy conservation.

(4) Long and short term business development plan

In the short term, surging inflation and the Ukraine-Russia war have triggered a huge climb in energy prices and lifted interest rates, which will cause the weak economy of the global post-pandemic era to undergo negative impacts one more time. Hence, various clothing business operators have prioritized digesting on-hand inventory which has a knock-on effect on the orders of cotton mills and the demands for wool raw materials. The Company's short-term business strategy is to pay close attention to the subsequent market changes and to continue to accommodate a flexible production model that is of high quality, refined, and diverse so as to make aggressive seizure of sales orders.

In the long-term, since wool fiber has many unique and eco-friendly traits such as being a natural material, it does not contain hazardous substances, and it is easy to decompose, it has always been the first choice of humans for its natural fiber material, other than cotton, as a symbol for high grade clothing. In recent years, outdoor clothing has been of prominence. The mainstreaming of material use in various types of chemical and functional fibers has resulted in the sharp decline for wool demand. There are expectations that after inflation gradually slows down in the future, there will be another wave of recovery growth. The Company will actively enhance its production quality as its long-term strategy and also will develop new regional markets outside of the Asia region.

2. Market, and Production and Sales Overview

（1） Market analysis: The sales regions, market share and the market supply and demand situation and growth in the future, advantageous and disadvantageous factors for completive niches and development outlook, and countermeasures, based on the major products.

1. Sales regions and market share of major products

Unit: Thousand kilograms

	WOOL TOP				SUPERWASH WOOL TOP				UNCARBONIZED NOIL			
Location	2022	%	2021	%	2022	%	2021	%	2022	%	2021	%
TAIWAN	136	36	84	36	67	51	121	50	-	-	-	-
JAPAN	89	23	72	30	9	7	18	8	-	-	-	-
KOREA	-	-	-	-	2	1	20	8	-	-	-	-
CHINA (HONG KONG)	-	-	-	-	-	-	-	-	-	-	86	100
OTHERS	154	41	81	34	54	41	81	34	-	-	-	-
Total	379	100	237	100	132	100	240	100	-	-	86	100

(I) Overall, consumers' consumption power has been greatly deteriorated as a result of the pandemic. Wool prices have, over the past year or two, remained at a low level causing the revenue of the Company to decline slightly at 7% compared to the previous year. In contrast, the total shipment volume for wool tops combined with superwash wool tops, has seen slight growth of about 7% compared to the previous year.

(II) Regionally, the total sales performance for this year for wool tops combined with superwash wool tops has shown significant growth in the expansion of other regional markets. Except for the Korea region whose main export country is China, the strict pandemic control policy resulted in a huge drop in demand and the textile industry had moved away. On top of that, the China business owners were seizing the market share with low price wool tops, that is the reason for the greater shrinkage.

2. Market supply and demand situation in the future

The Australian Wool Production Forecasting Committee (AWPFC) has announced the number of sheep sheared, and wool volume information for the three years, 2020/21, 2021/22, 2022/23. Please refer to attached table and explanations.

Items \ Year	2020/21	2021/22	2022/23 (Estimated)	Note
Annual number of sheep sheared (millions of sheep)	66.9	71.6	74.9	
Volume of wool sheared per sheep (kilograms)	4.40	4.52	4.54	
Annualvolume of wool sheared (millions of kilograms)	294	324	340	

With the better climate and rainfall over the past year bringing enough pasture and feeding environment for the sheep, the total wool volume for 2022/23 is estimated to grow about 4.9% again compared to the previous year. This will contribute to stable future growth of the wool market.

3. Growth

Unit: Thousands of kilograms

Major products	2022 Actual sales volume	2023 Estimated sales volume	Growth rate %	Description
WOOL TOP	379	496	31	Looking forward to demand increasing gradually
SUPERWASH WOOL TOP	132	334	153	Looking forward to demand increasing gradually
UNCARBONIZED NOIL	-	66	-	Looking forward to demand increasing gradually

4. Advantageous and disadvantageous factors and countermeasures for competitive niches and development outlook

(1) Advantageous factors

A. As the largest global developing country, at the end of 2022, China announced lifting its pandemic restrictions, therefore, it is projected that the current low international wool prices will make a rebound.

B. Due to the unique function of wool and its traits of being natural and easily decomposed, there are more and more sports brands and apparel companies turning to selecting wool as a future fabric material in the consideration of function and eco-friendliness. There are hopes that this can drive the demand for wool fiber.

C. The Company made effective adjustments to its production strategies over the past two years. At the current stage, its finished goods inventory has greatly dropped to a lower position. Therefore, this would greatly reduce any risk in a plunging of price extending from any changes to international events in the future.

D. In recent years, wages in China have continued to surge, along with stricter environmental protection laws and a rise in international anti-China sentiments, all of these are disadvantageous factors to the survival of the future Chinese wool top industry, but would benefit the long-term development of the Company.

(2) Disadvantageous factors

A. In the last two years, various wool top plants in China have been facing pressure from satisfying basic operational volume and revolving funds. As a result, these companies use dumping to seize market share with prices far lower than costs. This has severely impacted the Company's sales receiving orders.

B. Inflation and high oil prices have resulted in various raw material prices surging on top of the upward adjustments of domestic basic salaries and wages for consecutive years. This would lead to a constant climbing of processing costs.

C. In the face of the ongoing serious power shortage situation and rising electricity fees, these are going to add to the disadvantages of costs to future industry development.

D. The regional trade economy formed in the international space in recent years is out of reach for Taiwan due to political factors remaining until this day. This creates unfair treatment in taxation and would lead to gradually losing external competitiveness.

(3) Countermeasures

A. Impacted by a series of disadvantageous factors such as the US-China trade war in recent years, the COVID-19 pandemic, the Ukraine-Russia war, and global inflation in recent years, these issues have affected the Company's sales and profitability. Fortunately, the Company has a stable management strategy and has been actively increasing its non-operating income, thus obtaining earnings on its accounts.

B. In order to respond to the unsettling international wool prices at this stage, the Company is observing the international economy trend at all times and has been accommodating a more flexible raw material procurement policy to lower operational risks.

C. Expedite the replacing of high-power consuming equipment, and add installation of solar power generation modules, in response to future uncertainties and the era of highly expensive electricity bills.

D. Pursue active development of other new regional markets to expand future export sales orders.

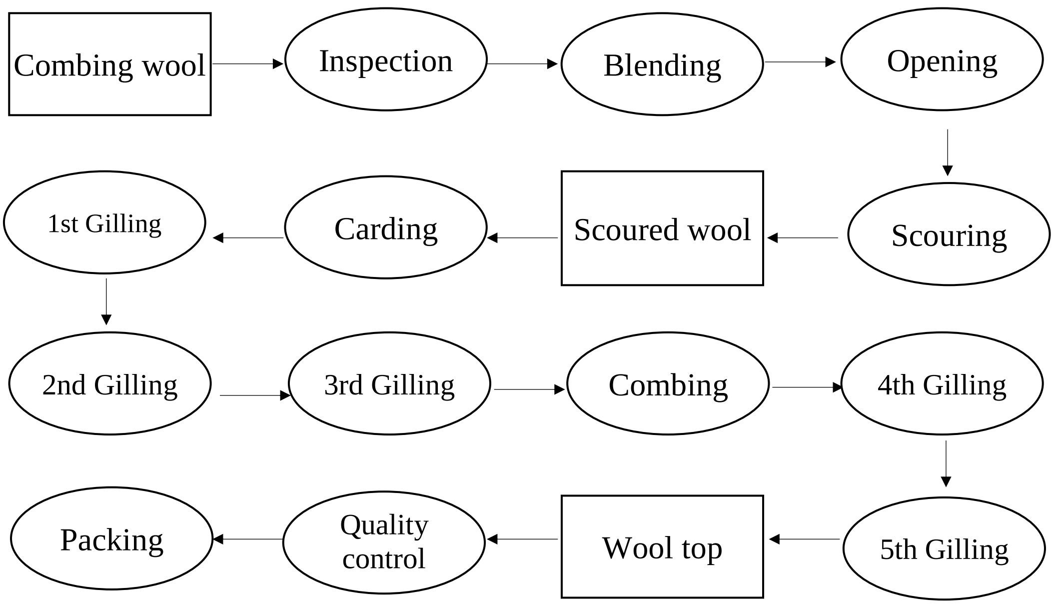
(2) Important use and manufacturing process of major products

1. Use

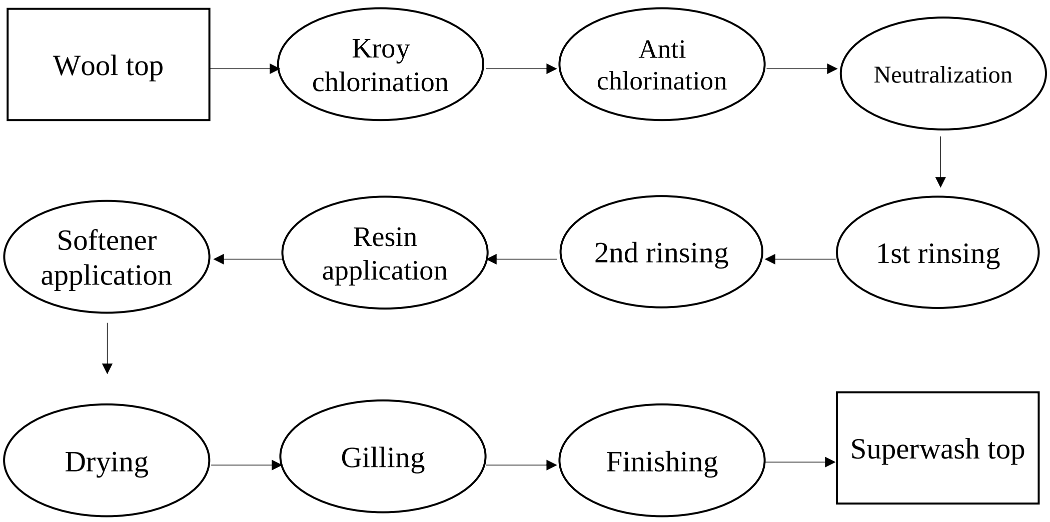
Product name	Use
WOOL TOP	Provide to spinning mill worsted knitting yarn or weaving yarn
SUPERWASH WOOL TOP	Provide to spinning mill worsted knitting yarn or shirnkproof yarn
CARBONIZED WOOL	Provide to spinning mill knitting woolen yarn or weaving yearn

2. Manufacturing process

(1) Wool top processing:



(2) Superwash processing



(3) Supply Situation of Main Raw Materials

The latest wool production volume estimate indicates that over the past year or two, there has been abundant rainfall in the main wool producing regions in Australia, bringing enough pasture for the wool farms and better feeding environment and a comparably lower cost. Therefore, The Australian Wool Production Forecasting Committee (AWPFC) forecasts the total wool production volume for 2022/23 to increase by another 16 million kilograms, with expectations to reach 340 million kilograms (an increase of 4.9%) and the total number of sheep shorn to increase by 74.9 million sheep (an increase of 4.6%). The raw material supply is expected to recover gradually.

On the Australia Eastern Market Indicator (EMI), even though lockdowns were gradually lifted by many governments for the global pandemic over the past year, the subsequent global inflation and lifted interest rates in the finance market, along with the mandatory zero-COVID pandemic prevention policy in Mainland China, have all affected the trading market. The trading market opened at AUC 1,358/USC 965 in 2022. After undergoing a year of turmoil, the market closed at AUC 1,327/USC 909 at the end of the year, a decline of about 5.8%.

(4) Please state the names of suppliers and customers in any one year of the two most recent years with a procurement or sales amount 10% or above of the total procurement or sales amount, and the amount and proportion of procurement or sales, with reasons for the changes.

1. Major suppliers' information in the most recent two years

Unit: thousand NTD

	2022				2021				2023 (as of the previous quarter)			
Items	Names	Amount	As a percentage of the annual net procurement amount (%)	Relationship with the issuer	Names	Amount	As a percentage of the annual net procurement amount (%)	Relationship with the issuer	Names	Amount	As a percentage of the net procurement amount for the current year as of previous quarter (%)	Relationship with the issuer
1	Australian Wool Exchange	35,158	100.00	None	Australian Wool Exchange	31,620	100.00	None	Australian Wool Exchange	10,528	100.00	None
	Net Procurement	35,158	100.00		Net Procurement	31,620	100.00		Net Procurement	10,528	100.00	

Reasons for the changes: The raw materials procurement are mainly through the Australian Wool Exchange, procuring from all of the supplying wool farm meets the company's demands for wool materials. There are no differences for major importing sources.

2. Major sales customers information in the most recent two years

Unit: thousands NTD

	2022				2021				2023 (as of the previous quarter)			
Items	Names	Amount	As a percentage of the annual net sales amount (%)	Relationship with the issuer	Names	Amount	As a percentage of the annual net sales amount (%)	Relationship with the issuer	Names	Amount	As a percentage of the net sales amount for the current year as of previous quarter (%)	Relationship with the issuer
1	Customer I	21,688	12.33	General sales customer	Customer A	20,732	10.90	General sales customer	Customer 1	8,477	23.06	General sales customer
2	Customer II	18,027	10.25	General sales customer	Customer B	17,402	9.15	General sales customer	Customer 2	5,877	15.98	General sales customer
3	Customer III	16,278	9.25	General sales customer	Customer C	13,336	7.01	General sales customer	Customer 3	5,388	14.65	General sales customer
	Others	119,949	68.17	General sales customer	Others	138,675	72.94	General sales customer	Others	17,025	46.31	General sales customer
	Net sales	175,942	100.00		Net sales	190,145	100.00		Net sales	36,767	100.00	

Reasons for the changes: The Company belongs to the traditional manufacturing industry. The customers it deals with are mostly stable without much changes. The increasing or decreasing changes are determined according to the economy and operations situations of the region where each of the customer is located.

(5) Production Capacity and Value in the Most Recent Two Years

Unit: Metric Ton, million $

Year / Production capacity and value / Main products	2022			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
WOOL TOP	720	384	161	720	246	126
SUPERWASH WOOL TOP	720	172	86	720	303	139
Total	1,440	556	247	1,440	549	265

(6) Sales Volume and Value in the most recent years

Unit: Metric Ton, million $

Year / Sales volume and value / Main products	2022				2021			
	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
WOOL TOP	136	32	243	90	84	28	153	50
SUPERWASH WOOL TOP	67	26	65	26	121	46	119	45
Total	203	58	308	116	205	74	272	95

3. Employee profile (including total number of employees, average service length, average age, and their education distributions) in the most recent two years and as of the date of annual report publication

Year		2022	2021	As of April 22nd, 2023
Number of employees	Staffs	19	18	19
	Technical work	15	19	14
	Ordinary work	13	14	13
	Total	47	51	46
Average age		51.13	50.97	51.08
Average service length		14.57	13.77	15.08
Education distribution (%)	Doctoral Degree	0.0	0.0	0.0
	Masters	2.1	2.0	2.2
	Tertiary education	29.8	29.4	30.4
	Senior High School	38.3	35.3	37.0
	Below Senior High School	29.8	33.3	30.4

4. Expenditures on environmental protection

(1) The total amount of losses and disposal due to polluting environment in the most recent year and as of the date of annual report publication.

Items	2022	As of April 22nd, 2023
State of pollutions (types)	None	None
Penalty unit	Not applicable	Not applicable
Penalty situation	Not applicable	Not applicable
Other losses	None	None

(2) Countermeasures: Not applicable

5. Labor and management relations

(1) Several measures contents and implementation

Items	Main contents	Implementation status
Employee welfare measures	1. Three festivals gifts, rewards and subsidies 2. Employee bonuses 3. Employee canteen and meal subsidies. 4. Employee travel 5. Employee dormitory 6. Labor insurance, health insurance and group insurance 7. Employee hospitalization condolences 8. Subsidies for wedding, funeral, celebrations, and birth. 9. Employee health examination	Regular execution.
Continuing education and trainings	1. Health and safety education and disaster prevention and response training 2. Orientation trainings 3. On-the-job trainings 4. Other expertise trainings 5. Labor education	1. New hires join the orientation trainings. 2. Depending on the necessity of the employee's work, the managerial officer will appoint or the employee can apply for participation in seminars held internally or externally occasionally.
Retirement system	1. The "Labor Pension Act" has been established in accordance with the Labor Standards Act. 2. The Supervisory Committee of Labor Retirement Reserve has been established. 3. Based on the new and old labor retirement systems, the pension funds are allocated and deposited into a dedicated pension funds account in the Bank of Taiwan or deposited into the individual retirement accounts with the Bureau of Labor Insurance.	Details are as below.

The company's overall remuneration policy:

The Company's salary standard is processed mainly based on the "Employee Salary Classification Table." There are also the three festivals and end-of-year bonus benefit, employee promotion and salary adjustment, which takes into account of the length of service and also the annual appraisal results of the individual. The end of year bonus is calculated based on the company operation outcomes and distributed with an increased or decreased reward amount. The distribution standard is equivalent to about one to two months of base salary. The employee remuneration could be distributed according to the Articles of Incorporation if the company is making profits for the current year and that there are no accumulated losses

Pension system:

1. Defined contribution plan:

The employee retirement rules established according to the "Labor Pension Act" is a defined contribution plan. The regulation stipulate that the Company is responsible for funding labor retirement benefits with a rate no less than 6% of the employee's monthly salary. The Company has established the employee retirement rules as stipulated in the regulation and transfers each month, 6% of employees' salary as funding of retirement benefits into individual retirement accounts managed by the Bureau of Labor Insurance.

2. Defined benefit plan

The Company's employee retirement rules established in accordance with the "Labor Pension Act" is the defined benefit plan. Pension payment is calculated in accordance with the years of service and the average monthly salary at the time of the authorized retirement. Two bases are given for each year of service up to and including 15 years and one base for each year of service in excess of 15 years, subject to a maximum accumulation limit of 45 bases. The Company allocates a monthly pension fund of 5% of salaries and wages deposited to a dedicated account in the Bank of Taiwan in the name of the Supervisory Committee of Labor Retirement Reserve according to the Labor Pension Act. Before the end of each year, the Company estimates the balance in the dedicated account of the Labor Retirement Reserve. If the balance is not sufficient to pay the aforementioned amount of pension benefits to employees eligible for retirement in the following year, the Company will make a lump-sum appropriation for the difference by the end of March of the following year.

The Ministry of Labor proceeds with assets allocation based on the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investments of the funds are conducted using the self-operating and entrusted management methods, and adopting the long and medium term investment strategies of active and passive management. The Ministry of Labor has established the funds risk limit and control plan based on considerations on the risks in markets, credit, liquidity and so forth. This is to allow sufficient flexibility to achieve the reward targets under the circumstance of not having excessive risk-taking. The minimum annual earnings to be distributed from the fund shall not be less than the earnings calculated based on the two-year time deposit of the local bank. If there is any deficiency, the national treasury shall make up the deficiency after approval by the competent authority. As of December 31st, 2022, the Company's defined benefit plan is expected to distribute $200,000 in the following year.

(2) Labor and management agreements

All members of the Company, the Chairperson and all employees, have a deep understanding of the situations of the economic system and the intense competitions in the domestic and overseas markets. The communications channels between labor and management have been smooth. The operations of the labor union or for the labor-management meetings have always been well and harmonious, and there have not been any incidents of controversies or disputes.

(3) Losses due to disputes between labor and management in the most recent year and as of the date of annual report publication, are disclosed with the estimated amount that might be generated currently and in the future, and the countermeasures: None.

6. Information security management

(1) Describe the cyber security risks management structure, cyber security policy, concrete management plan and resources invested in cyber security management.

1. Information security risk management structure

(1) The Company's cyber security duty unit is R&D Department, with one information managerial officer and one professional information personnel appointed, responsible for establishing the company's internal information security policy, plans and execution of information security processes and policy promotion and implementation.

(2) The Company's Audit Office is the monitoring unit of the information security monitoring. The Office is consisted of the audit officer and audit work proxy responsible for the monitoring of internal information security execution status. Where the audits discover deficiencies, the unit being audited would be requested to provide related improvement plans and concrete actions, and there would be regular and continuous tracking of improvements outcomes to lower internal information security risk.

(3) Organization operations model is based on circular management to ensure achieving reliability and goals and continuous improvements.

2. Cyber security policy

(1) Proper firewall has been established for the headquarters in Taipei and the Hsin-Wu mill to keep out external attacks from hackers, and will review related record logs from time to time.

(2) Anti-virus software has been installed on the computers for users and will review virus log and related corresponding treatment from time to time.

(3) Updates to the operating system are conducted on an irregular basis to reduce

system vulnerability which in turn lowers information security risks.

(4) Build proper backup mechanism and method.

3. Concrete management plan and resources invested in cyber security management

(1) Computer engine room equipment management: A. The Company’s computer server and application server are located in a dedicated engine room with door entry restrictions for personnel, and the entry records are preserved. B. An independent air-conditioner has been installed inside the engine room and is operating in an appropriate room temperature environment. There is also the dry powder type fire extinguisher in place which can be used on fire hazards induced by general or electrical appliances. C. The server of the engine room is connected to the Uninterruptible Power Supply Abnormal to ensure the constant operations of the computer application system during power outages or other unexpected events.

(2) Network security management: A. Established the corporate level multi-function firewall for external connection to prevent illegal intrusion by hackers.

(3) Server or computer users’ protection management: A. Endpoint Security (anti-virus, anti-malware, anti-spyware program) is installed in the server and computer users’ equipment. Virus signature recognition would be updated automatically to ensure blockage and upgrades to the various virus or information security protection. B. The email defense mechanism, consisting of email anti-virus program, spam filtering mechanism and anti-ransomware, has been installed for emails. This is for the prevention of the above-mentioned types of malicious emails from being accepted by the computer users which would result in unexpected losses or damages.

(4) Application system user account access right management: A. For account management, the system setting would make regular request to users to change their passwords. B. For access right management, access right to use is defined based on the nature of the users’ work.

(5) Ensuring usability of the system: A. Proper backup management strategies, adopts the daily backup mechanism. There are two backup media, one is kept in the engine room and the other is kept in the bank safe for data storage at off-site.B. Disaster recovery plan exercise, each year the exercise would be performed once a year on an irregular basis. After selecting the recovery base date point, data would be stored from the backup media back to the system server. This is to ensure the accurateness and effectiveness of the backup media.

4. Resources invested in cyber security management

(1) Internet: Adopts the use of corporate level firewall, external network VPN connection certification to elevate safety.

(2) Hard drive: Adopts the server level equipment to increase stability.

(3) Software: Fee-paying professional backup software, automatic updates for Endpoint Security software to increase protection.

(4) Labor: Established one information officer and one professional information personnel to be responsible for cybersecurity design and maintenance, information security events response and investigation, information security policy review and amendments, to enhance reliability.

(2) List and explain in the most recent two years and as of the publication date of the annual report, losses due to occurrences of major cyber security incidents, its possible impacts and countermeasures. If unable to give a reasonable estimation, explain the reasons for being unable to give a reasonable estimation: None.

7. Material contracts: None.

F. Financial Overview

1. Condensed balance sheet and income statement for the most recent five years

(1) Condensed Balance Sheet (Non-consolidated) - Adoption of IFRS

Unit: Thousand NT$

Item \ Year		Financial information for the last five years（Note 1）					From this year to April 22nd,2023 Financial Information
		2018	2019	2020	2021	2022	
Current assets		1,260,617	1,185,586	1,010,940	904,309	926,540	Not applicable
Property, plant and equipment		355,569	350,791	339,996	334,848	327,620	
Intangible assets		0	0	0	0	0	
Other assets		1,004,738	1,041,403	1,984,789	2,184,091	2,066,568	
Total assets		2,620,924	2,577,780	3,335,725	3,423,248	3,320,728	
Current liabilities	Before distribution	31,174	21,485	44,197	40,794	33,036	
	After distribution	31,174	38,093	293,317	144,594	(Note 2)	
Non-current liabilities		199,057	199,138	288,338	269,152	243,770	
Total liabilities	Before distribution	230,231	220,623	332,535	309,946	276,806	
	After distribution	230,231	237,231	581,655	413,746	(Note 2)	
Equity attributable to owners of parent		-	-	-	-	-	
Share capital		1,384,000	1,384,000	1,384,000	1,384,000	1,384,000	
Capital reserve		122,705	122,705	106,097	106,097	106,097	
Retained earnings	Before distribution	544,204	507,402	864,440	770,236	740,163	
	After distribution	544,204	507,402	615,320	666,436	(Note 2)	
Other equity interest		339,784	343,050	648,653	852,969	813,662	
Treasury stock		0	0	0	0	0	
Non-controlling nterest		0	0	0	0	0	
Total equity	Before distribution	2,390,693	2,357,157	3,003,190	3,113,302	3,043,922	
	After distribution	2,390,693	2,340,549	2,754,070	3,009,502	(Note 2)	

Note 1: The above financial information for each of the fiscal year has been audited and verified by the CPAs.

Note 2: Due to the 2023 Shareholders' Meeting has not yet taken place, the column for the 2022 numerals is left blank.

(2) Condensed Statement of Comprehensive Income (Non-consolidated) - Adoption of IFRS

Unit: Thousand NT$

Item \ Year	Financial data for the most recent five years（Note ）					Financial Statement in the current fiscal year as of April 22nd,2023
	2018	2019	2020	2021	2022	
Sales revenue	761,087	455,091	202,723	190,145	175,942	Not applicable
Gross profit(loss)	77,357	(48,872)	(147,256)	(28,608)	(1,433)	
Operating income(loss)	34,061	(80,353)	(197,386)	(66,205)	(36,398)	
Non-operating income and expenses	75,956	38,039	602,193	259,066	121,539	
Profit before income tax	110,017	(42,314)	404,807	192,861	85,141	
Income(loss) from Continuing Operations after Tax	110,017	(42,314)	404,807	192,861	85,141	
Losses from discontinued operation	-	-	-	-	-	
Profit (loss) for this year	102,668	(36,183)	354,023	153,942	73,350	
Other comprehensive income(loss) for this year	20,670	2,647	308,618	205,290	(38,930)	
Total comprehensive income for this year	123,338	(33,536)	662,641	359,232	34,420	
Profit attributable to owners of the parent	-	-	-	-	-	
Profit attributable to non-controlling interest	-	-	-	-	-	
Comprehensive income attributable to owners of the parent	-	-	-	-	-	
Comprehensive income attributable tonon-controlling interest	-	-	-	-	-	
Earnings per share	0.64	(0.26)	2.56	1.11	0.53	

Note: The above financial information for each of the fiscal year has been audited and verified by the CPAs.

(3) Auditors' Opinions in the Most Recent Five Years

Year	Name of accounting firm	Name of certified public accountants	Audit opinions
2022	Ernst & Young, Taiwan	Hsu, Hsin-Min, Yang, Chih-Huei	Unqualified opinion
2021	Ernst & Young, Taiwan	Hsu, Hsin-Min, Ian Wang	Unqualified opinion
2020	Ernst & Young, Taiwan	Hsu, Hsin-Min, Ian Wang	Unqualified opinion
2019	Ernst & Young, Taiwan	Hsu, Hsin-Min, Ian Wang	Unqualified opinion
2018	Ernst & Young, Taiwan	Hsu, Hsin-Min, Ian Wang	Unqualified opinion

2. Financial analysis for the most recent five years

Financial Analysis (Non-consolidated) - Adoption of IFRS

Item analyzed	Year	Financial information for the most recent 5 year (Note)					The current fiscal year as of April 22nd, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Liabilities to assets ratio	8.78	8.55	9.96	9.05	8.33	Not applicable
	Long-term capital to property, plant, and equipment ratio	728.33	728.72	968.10	1,010.14	1,003.50	
Solvency (%)	Current ratio	4,043.80	5,518.20	2,287.34	2,216.76	2,804.63	
	Quick ratio	2,082.49	2,478.48	1,091.34	1,287.72	1,964.69	
	Interest protection multiples	3,439.03	-1,321.31	11,566.91	3,162.65	1,981.02	
Operating performance	Receivables turnover ratio(times)	18.38	37.59	-	70.51	26.70	
	Average collection days	19.85	9.71	-	5.17	13.67	
	Inventory turnover ratio(times)	1.24	0.84	0.61	0.48	0.54	
	Payables turnover ratio(times)	224.32	207.39	241.53	234.46	317.87	
	Average inventory turnover days	294.35	434.52	598.36	760.41	675.92	
	Property, plant, and equipment (PP&E) turnover ratio (times)	2.12	1.28	0.58	0.56	0.53	
	Total asset turnover ratio(times)	0.27	0.17	0.06	0.05	0.05	
Profitability	Return on assets (%)	3.75	-1.39	11.97	4.55	2.17	
	Return on equity (%)	4.10	-1.52	13.20	5.03	2.38	
	Pre-tax net profit to paid-up capital ratio (%)	7.94	-3.05	29.24	13.93	6.15	
	Net profit margin (%)	13.48	-7.95	174.63	80.96	41.68	
	Earnings per share (NT$)	0.64	-0.26	2.54	1.10	0.53	
Cash flow	Cash flow ratio (%)	97.10	-418.20	-26.61	966.36	954.11	
	Cash flow adequacy ratio (%)	137.61	56.79	121.43	134.25	137.55	
	Cash re-investment ratio (%)	1.02	-3.11	-0.87	5.33	8.14	
Degree of leverages	Degree of operating leverage (DOL)	4.48	-0.02	1.07	-2.11	-3.30	
	Degree of financial leverage (DFL)	1.00	0.99	0.99	0.99	0.99	

For an explanation on increases or decreases of 20% or above in each financial ratio in the IndividualFinancial Statements for the most recent two years, please see the following:

I. Liquidity Analysis: The current assets for this fiscal year benefit from the income from reinvestment dividends and realized exchanged profits which show an increase compared to the previous year. The current and quick ratio grew simultaneously, except for recognized investment income of associates which has greatly reduced compared to the previous year, leading to a great decline in the Times Interest Earned (TIE) ratio.

II. Operating ability: Due to the fact that COVID-19 has impacted the demands for wool products and that the company's revenue has not yet shown signs of improvement, the receivables have remained almost the same for the past two years without much difference. One exception is that the total revenue for this year is lesser than last year, which has lead the average collection turnover to decline and the average days of collection to increase.

III. Profitability: Although the investment income from investments of associates has greatly reduced for this year compared to last year, fortunately, gross losses were well under control and the other non-operating incomes, such as dividends, exchange profits, and rent income have been maintained. Thus, earnings are still generated before tax. The ratio performance for each of the items under profitability decreased by the same percentage as last year.

IV. Cash flow ratio: The difference was mainly due to a significant decrease in case dividends distributed this year compared with the same period last year, resulting in an increase in the cash reinvestment ratio.

V. Leverage: The operating costs and expenses for the year continue to sink lower. The operating income has reduced and the business is still making losses, as a result, the leverage performance continues to be poor.

Note：

1. Financial structure

(1) Liabilities to asset ratio = Total liabilities / total assets

(2) Long-term capital to property, plant, and equipment ration = (Total equity + Non-currentliability) / Net property, plant and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities

(3) Interest protection multiples = Earnings before interests and taxes (EBIT) / Interestexpenses over this period

3. Operating performance

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

(2) Average collection days = 365 / Receivables turnover ratio.

(3) Inventory turnover ratio = Cost of sales / Average inventory value

(4) Payables turnover ratio (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations)

(5) Average inventory turnover days = 365 / Inventory turnover ratio

(6) Property, factory and equipment turnover ratio = net sale/net property, factory and equipment

(7) Total inventory turnover ratio = Net sales / Average total asset value.

4. Profitability

(1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] /Average total asset value

(2) Return on Equity (ROE) = Gain (loss) after tax/average net equity.

(3) Income before tax to paid-up capital ratio = Income before tax/ Paid-up capital

(4) Net profit margin = Gain (loss) after tax / Net sales

(5) Earnings per share = (Net income attributable to owners of the parent company – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio = Net cash flow of business activities / Current liabilities.

(2) Cash flow adequacy ratio = Net cash flow for business activities in the 5 most recent years/ (capital expenditure + inventory increase + cash dividends) for the 5 most recent years.

(3) Cash re-investment ratio = (Net cash flow for business activities - cash dividends) / (Gross value of PP&E + Long-term investments + Other non-current assets + business capital)

6. Degrees of Leverage

(1) Degree of operating leverage (DOL) = (Net operating revenue - operating change costs and expenses) / Operation profit

(2) Degree of financial leverage (DFL) = Operating profit / (Operating profit – interest expenses)

3. Audit committee’s review report on the financial statements of the most recent year

Reward Wool Industry Corporation

Audit Committee’s report on the review of the 2022 financial statements

The Company’s 2022 Business Report, Financial Statements, and Appropriation of Earnings were submitted by the Board of Directors, of which the Financial Statements were duly audited by Certified Public Accountants Hsu, Hsin-Min and Yang, Chih-Huei of EY Taiwan, to which the CPA firm has issued an independent auditor’s report. The aforementioned Business Report, Financial Statements, and Appropriation of Earnings have been further duly reviewed and determined to be correct and accurate by the Audit Committee members of the Company according to Article 14-4 of the Security Exchange Act and Article 219 of the Company Act. Hereby, we present this report.

Submitted to

2023 Shareholders’ Meeting of the Company

Reward Wool Industry Corporation

Audit Committee convener: L.Y. TU

March 14th, 2023

4. Financial statements for the most recent year (inclusive of independent audit report, comparison of two-year balance sheet, comprehensive income statement, statements of changes in equity, statement of cash flow, and note or table) : Please refer to page 111-184.

5. Financial statements of the parent company for the most recent year audited by the CPA (not inclusive of statements of major accounting items):
   The Company prepares the standalone financial statements; thus, it is not applicable.

6. The company should disclose the financial impact to the company if the company and its affiliated companies have incurred any financial or cash flow difficulties for the most recent year and as of the publication date of this annual report: None.

G. Review of Financial Conditions, Operating Results, and Risk Management

1. Financial status

Unit: Thousand NT$

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	926,540	904,309	22,231	2.46
Investments accounted for under equity method	546,111	679,649	(133,538)	(19.65)
Property, plant and equipment	327,620	334,848	(7,228)	(2.16)
Other assets	1,520,457	1,504,442	16,015	1.06
Total assets	3,320,728	3,423,248	(102,520)	(2.99)
Current liabilities	33,036	40,794	(7,758)	(19.02)
Long-term liabilities	237,464	264,021	(26,557)	(10.06)
Other non-current liabilities	6,306	5,131	1,175	22.90
Total liabilities	276,806	309,946	(33,140)	(10.69)
Share capital	1,384,000	1,384,000	-	-
Capital reserve	106,097	106,097	-	-
Retained earnings	740,163	770,236	(30,073)	(3.90)
Other equity interest	813,662	852,969	(39,307)	(4.61)
Treasury stock	-	-	-	-
Total shareholders' equity	3,043,922	3,113,302	(69,380)	(2.23)

Main reasons and impacts for any material change at more than 20% change in assets, liabilities and equity in the most recent two years:

(1)Among project liabilities, other liabilities increased: This is mainly due to the Company’s adjustments of its production model in recent years and active revitalization of assets for renting factory floors to external parties which has resulted in an increase of guarantee deposits received from lease customers compared to the previous period.

2. Operation Results

(1) Financial performance analysis

Unit: Thousand NT$

Item	2022	2021	Increase (decrease) amount	Change in Percentage (%)
Net Operating revenue	175,942	190,145	(14,203)	(7.47)
Operating costs	177,375	218,753	(41,378)	(18.92)
Gross profit	(1,433)	(28,608)	27,175	(94.99)
Operating expenses	34,965	37,597	(2,632)	(7.00)
Operating profit or loss	(36,398)	(66,205)	29,807	(45.02)
Non-operating income and expenses	121,539	259,066	(137,527)	(53.09)
Income(loss) from Continuing Operations Before Tax	85,141	192,861	(107,720)	(55.85)
Income tax benefit(expenses)	(11,791)	(38,919)	27,128	(69.70)
Income(loss) from Continuing Operations after Tax	73,350	153,942	(80,592)	(52.35)

Analysis and explanation of the differences:
The pandemic has caused sudden changes to the industry. The digitalization trend has driven industry growth in information and communications and its other related electronic component parts, coupled with the impacts from inflation and interest hikes, these have led to continued weak demands for the traditionally high unit price wool textile products. As a result, overall 2022 operating revenue is almost the same as last year, which is not an ideal performance. As the inventory has been well controlled, its valuation had rebounded slightly from last year. The gross loss and operating loss continue to decline compared to last year. On the non-operating revenue, as the recognized investment income of associates greatly declined year-over-year, the non-operating income and profits concurrently declined.

Gross profit variance analysis

Business activities	Increase (decrease) in changes for the period before and after	Reasons for differences			
		Sales price differences	Cost price differences	Sales package differences	Differences in amount
WOOL TOP, CARBONIZED WOOL AND SUPERWASH WOOL TOP	$ 25,902	$ (698)	$ 58,856	$(37,208)	$ 4,952
OTHERS(NOTE)	1,273				
Total	$ 27,175				

NOTE: INCLUDE LANOLIN, FATTY ACID, UNCARBONIZED NOIL & PROCESSING FOR CUSOMERS.

Analysis and explanation of the differences: In the recent three years, due to impacts from the COVID-19 pandemic, international wool prices continue to remain low. The Company's operation constantly faces many challenges. Even though the Australian wool market had showed a wave of price surges during the first half of the year responding to the lifting of the lockdown policies in Europe, the USA, Japan, and so on in major countries, from the third quarter onwards, there were severe impacts coming from inflation and the interest hikes, along with the pandemic which worsened in China. The prices began to show signs of retreat. Fortunately, by the end of the fourth quarter, prices rebounded from the drop due to China giving up on the zero-policy and lockdown measures. Until the end of the year, the closing prices were AUC 1,327/USC 909. In total, there was a slight drop of AUC 31 (about 2.3%) and USC 56 (about 5.8%) for the entire year. In summary, the overall inventory valuation rebounded compared to last year due to the gross price being relatively stable compared to the previous year and the company's inventory was under good control. A favorable gross price spread was also generated from operations compared to last year. However, as consumer spending power was weak, it led to disadvantaged sales portfolio differentiation generated from sales items, which in turn caused slightly unfavorable gross profit variance. The combined influences resulted in the current gross loss from operations, reducing year-over-year by NTD 27.175 million.

(2) Expected sales volume and the reasons thereof: Please refer to page 5, and page 62-68.

(3) Possible potential effects to finance and operations in the future and countermeasures: Please refer to page 5, and page 62-68.

3. Cash flow

(1) Analysis and description of cash flow changes during the most recent fiscal year

Unit: Thousand NT$

Cash balance at beginning of period ①	Net cash flow from operating activities for the year ②	Cash Outflow (Inflow) for the Entire Year ③	Cash surplus (deficiency) amount ①＋②－③	Remedy for cash shortfall	
				Investment Plan	Financing Plan
429,663	315,202	194,596	550,269	None	

Items \ Year	2022	2021	Difference	
			Amount	Explanation
Cash flow from operating activities	315,202	394,217	(79,015)	Net cash generated by operating activities was reduced year-over-year. This is mainly due to the reduction of the current period's allocated dividends from the investment of affiliates year-over-year.

Cash flow from investing activities	(91,971)	10,550	(102,521)	On the net cash used in investing activities, this is mainly due to the Company's constant acquisition of financial assets at fair value through other comprehensive income (FVTOCI) in order to increase its income from non-operating investments.
Cash flow from financing activities	(102,625)	(247,755)	145,130	The net cash outflows from financing activities is mainly due to the distribution of cash dividends for the current period.
Net increase (decrease) in cash and cash equivalents	120,606	157,012	(36,406)	The overall influences led to net cash generated from operating activities for the current period.

(2) Analysis of cash flow changes for the year

Year / Item	2022	2021	Increase or decrease ratio (%)
Cash flow ratio	954.11	966.36	-1.27
Cash flow adequacy ratio	137.55	134.25	2.46
Cash re-investment ratio	8.14	5.33	52.72

Percentage change analysis and explanation:

The difference was mainly due to a significant decrease in cash dividends distributed this year compared with the same period last year, resulting in an increase in the cash reinvestment ratio.

(3) Cash flow analysis for the coming year

Unit: Thousand NT$

Cash balance at beginning of period ①	Projected Net Cash Flow from the Year's Operation ②	Projected Cash Outflow (Inflow) for the Entire Year ③	Cash surplus (deficiency) amount ①＋②－③	Remedy for cash shortfall	
				Investment Plan	Financing Plan
550,269	48,325	(53,920)	652,514	-	

1. Operating activities：

The variants of COVID-19 continue to evolve even to this day, coupled with the Ukraine-Russia war and the USA-China trade war, which see no end in the short period, but it is anticipated that the inelastic demands of consumers will rebound. However, the financial crisis triggered at the beginning of 2023 by inflation has brought concerns. In response to the current time of events, the Company has strengthened its destocking once more entering the new year and actively invests in the construction of solar power generating equipment in its new factory areas with the aim to seize more non-operating income. It is anticipated that the overall business can still generate net cash inflows.

2. Investing and financing activities：

After the redemption of most of the investments under the equity method, the company has plans to return 28% of the capital contributions in cash to shareholders. Nonetheless, after prudently adding non-operating investment income, the overall evaluation shows that funds for utilization remain sufficient. There are expectations that net cash inflows will be generated from investment and financing activities for 2023.

4. The effect on finance and operation from important capital expenditure in the latest year：None.

5. Re-Investment Policies, Main Reasons of Profit or Loss, Improvement Plans for the Most Recent One Year, and investment plan for the coming year

Unit: Thousand NT$

Name of investee	The Company's shareholding percentage	Reinvestment policy	Investment income (loss) recognized in the current period	Main reasons for profit or loss	Improvement plan	Investment plans for the coming year
Reward (Ningbo) Wool Industry Co., Ltd.	23.85%	Production and sales	$10,498	Mainly due to the completed expropriation by the local government of other factories.	-	-

6. Necessary Analysis and Evaluation of Risk Events in the Latest Year and Before Date Annual Report Printed

(1) The effects that interest rates, exchange rate fluctuations, and inflation have on earnings and losses of the Company as well as response measures

On the interest rate, even though it began to rise slowly in 2022, it does not have a huge impact due to the Company having sufficient funds by ourselves and that the interest rates have been fairly low in recent years. In addition, all of the main raw materials imports and exports of manufactured products are traded in US dollars, thus, part of them are of natural hedge effects. The manufacturing expenses are also of a relatively lower proportion in the manufacturing costs. Although the inflation in recent years causes some materials and oil prices to rise and in turn resulted an increase to the production costs, at the moment, it is not casting a huge impact overall. On the interest rate changes, where it is deemed necessary, the Company would use derivative commodities for hedged items with fair value changes showing high negative correlation as hedging tool. As the interest rate changes will generate a greater profit/loss offset by the hedged items. Thus, the expected risk is not significant.

(2) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

The Company has a sound finance, and neither engages in high-risk and highly leveraged investments nor is lending the Company's funds to other parties. The endorsements and guarantees, and trading of derivatives are only limited to loans for procurement of materials, tax endorsements and guarantees and forward exchange. Thus, the expected risks are not huge.

(3) Future research and development projects and estimated research and development expenditure

I. Future research and development plan:

(1) Evaluation for investment of the second stage PV system.

(2) Research on storage equipment for carbon reduction.

II. Projected R&D expenditures to be invested: NTD3,000,000

(4) Major changes in government policies and laws at home and broad and the impact on finance and business of the Company and response measures

I. l With the increasing importance of environmental protection awareness in recent years, the green energy and carbon reduction trend is also gradually arising within the textile supply chain. In the future, the Company will actively carry out solar power installations and continue to strengthen the replacement of energy-intensive equipment to conform to future trends.

II. As the lockdowns are lifted globally coupled with inflation resulting in a huge shrinkage in shipment volumes, the expensive sea shipment prices over the past two years have now greatly dropped to the level before the pandemic. This will be advantageous for receiving orders from overseas markets in the future.

III. Various regional trade and economic alliances have subsequently formed in recent years within the international space, but Taiwan remains isolated and is not able to enjoy equal custom tax benefits. It has led to impacting competition for export-sales of Taiwan's textile products with significant impacts to Taiwan's export-sales.

IV. Regarding the change of situations mentioned above, although lockdowns have been lifted globally for the pandemic, the current Ukraine-Russia war still persists, and global inflation continues to be severe. In addition, various disadvantageous factors, including low-price wool top dumping by China, would impact the Company's future operations. Therefore, at the current stage, the Company's operation strategy is to maintain stability, adopt lesser volume for diversity, and to use flexible production on a timely basis depending on the order received in response to the future changing market.

(5) Impact of recent technological(Including information security risks) and market changes on finance and business of the Company, and response measures

Future textile products will continue to shift towards smart, eco-friendly, and functional development. Wool and other blended fiber products will become the future textile development trend. The Company will continue its future product expansion centered on eco-friendly and green energy production models so as to become valued by brand companies. On the other hand, we will actively seek to develop low energy-consuming and low polluting production processes to meet future market demands.

(6) Impact of change in corporate image on risk management and response measures

The Company is established in 1964 and became a publicly listed company in 1979 until now. Since the beginning, it has been operating in the spirit of integrity and is persistent in its main business. The Company has built for itself a good reputation in the global wool processing industry and continues the work.

(7) Expected benefits and potential risks of mergers and acquisitions, and response measures: None.

(8) Expected benefits and potential risks of capacity expansion, and response measures: None.

(9) Risks associated with over-concentration in purchases or sales, and response measures:

Procurement of goods: The Company imports raw wool mainly by entrusting the local professional wool selecting business owners in the local area of Australia. Based on the raw wool procurement standard given by the company, they would select the wool among the wool farms coming from different regions at the bidding of the public auction market held by the Australian Wool Exchange. Due to the stable quality, open and transparent prices by the Australian Wool Exchange in comparison to other regions in South Africa, South America and so forth, it meets the wool demands of the company better.

Sales: None.

(10) The effects and risks of large-scale share transfers or conversions by directors, supervisors, or major shareholders holding more than 10% of the Company's shares, and response measures: None.

(11) The impact and risk of a change in ownership on the Company, and response measures: None.

(12) For litigious or non-litigious, list major litigious, non-litigious or administrative disputes that involve the Company, the Company’s director, supervisor, the president, person with actual responsibility, major shareholder holding more than 10% stake, and any companies controlled by the Company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount

of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(13) Other significant risks and countermeasures: None.

7. Other important event: None.

H. Special Disclosure

1.Subsidiary Information

(1) Overview of relationship between subsidiaries and controlling company

Unit: Shares

Name of controlling company	Reason for control	Shareholding and pledge creation of the controlling company			Directors, supervisors or managerial officers appointed by the controlling company	
		Number of shares	Shareholding Percentage	Number of pledged shares	Position	Name
Mindtown Investment Co.,LTD.	1. Appointed personnel was elected as the Company's Chairperson and concurrently the President.	20,777,070	15.01%	-	Chairperson and concurrent President	Roul-Eel Ying

(2) Description of Transactions

1. Transactions for procurement and sales of goods: None.
2. Assets transactions: None.
3. Financing: None.
4. Assets rental: None.
5. Other important transactions and dealings: None.

(3) Endorsements and guarantees: None.

2. Private Placement Securities in the Most Recent Year and As of the Publication Date of this Annual Report : None

3. The Shares of the Company Held or Disposed of by Subsidiaries for the Most Recent Year and As of the Publication Date of this Annual Report: None.

4. Other Necessary Supplement: None.

I. Any Matter Which Had a Significant Impact on Shareholders' Rights or the Price of the Securities Referred to in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act for the Most Recent Year and As of the Publication Date of this Annual Report: None.

J. Appendices

Independent Auditors' Report Translated from Chinese

To Reward Wool Industry Corporation

Opinion

We have audited the accompanying individual balance sheets of Reward Wool Industry Corporation (the "Company") as of December 31, 2022 and 2021, and the individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the individual financial statements including the summary of significant accounting policies.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the individual financial position of the Company as of December 31, 2022 and 2021, and their individual financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (the "IFRS"), International Accounting Standards (the "IAS"), Interpretations developed by the International Financial Reporting Interpretations Committee (the "IFRIC") or the former Standing Interpretations Committee as endorsed and became effective by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Inventory

As of December 31, 2022, the Company's net inventories amounted to NT$**277,283**, accounting for 8% of total assets. Due to the excessive fluctuations of wools' price in the international market, the management needed to evaluate the loss of writing down the cost of inventories to the net realizable value because of inventory price decline. Since the book value of the provision for inventory obsolescence is significant, and the assessment of whether the amount should be written off involves major judgments by the management, we consider it a key audit matter. The audit procedures we performed included but are not limited to: assessing the net realizable value estimated by the management on the inventory evaluation, including the inventories that have not changed for a long time. We performed testing and evaluated the adequacy of allowance for inventory write-down, provided by the management. We also confirmed that the inventories were properly disclosed in accordance with IAS No. 2. Please refer to Notes 5 and 6 of the individual financial statements.

Equity instruments investments measured at fair value through other comprehensive income

The Company's equity instrument investments measured at fair value through other comprehensive income amounted to NT$1,070,361 as of December 31, 2022, of which financial assets without a quoted price in an active market amounted to NT$777,137. Since its assessment of fair value uses unobservable input, including liquidity discounts or adopts different evaluation techniques and assumptions, which have a significant impact on the fair value evaluation of financial assets, we therefore consider it is a key audit matter. The audit procedures we performed included but are not limited to: assessing the expected reasonable market price reflected by the tools used by management regarding valuation of equity instrument investment measured at fair value through other comprehensive income, and the measurement of risk reward technology included in the quantitative information of unobservable input value. We re-evaluated the selection of comparables and the rationality of the liquidity discount ratio on a sampling basis with the internal evaluation experts' assistance. We also compared them with the valuation made by the management to confirm if the differences are within an acceptable range.We also confirmed that they have made appropriate disclosures in accordance with IFRS 9, please refer to Notes 5 and 12 of the individual financial statements.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRS, IAS, IFRIC and for such internal control as management determines is necessary to enable the preparation of the individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, is responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Individual Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the accompanying notes, and whether the individual financial statements represent the

underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 individual financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Hsin-Min

Yang, Chih-Huei

Ernst & Young, Taiwan
March 14, 2023

Notice to Readers
The accompanying individual financial statements are intended only to present the financial positions, results of operations and cash flows in accordance with accounting principles and practices of the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such individual financial statements are those applied in the Republic of China.

Accordingly, the accompanying individual financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing Standards on Auditing of the Republic of China, and their application in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

REWARD WOOL INDUSTRY CORPORATION
INDIVIDUAL BALANCE SHEETS
As of December 31, 2022 and December 31, 2021
(Expressed in Thousands of New Taiwan Dollars)

Assets			December 31, 2022		December 31, 2021	
Code	Contents	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6.(1)	$550,269	17	$429,663	12
1136	Financial assets measured at amortized cost-current	4 and 6.(3)	89,200	3	89,200	3
1170	Accounts receivable, net	4, 6.(4) and 6.(12)	7,783	-	5,393	-
1200	Other receivables		1,450	-	947	-
130x	Inventories	4, 5 and 6.(5)	277,283	8	378,756	11
1410	Prepayments		201	-	238	-
1470	Other current assets		354	-	112	-
11xx	Total current assets		926,540	28	904,309	26
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non current	4, 5 and 6.(2)	1,070,361	32	1,046,082	31
1550	Investments accounted for using the equity method	4 and 6.(6)	546,111	16	679,649	20
1600	Property, plant and equipment	4 and 6.(7)	327,620	10	334,848	10
1760	Investment property, net	4, 5 and 6.(8)	416,774	13	418,364	12
1840	Deferred tax assets	4, 5 and 6.(17)	22,823	1	38,189	1
1900	Other non-current assets		8,239	-	298	-
1975	Net defined benefit assets, non-current	4, 5 and 6.(9)	2,260	-	1,509	-
15xx	Total non-current assets		2,394,188	72	2,518,939	74
1xxx	Total assets		$3,320,728	100	$3,423,248	100

The accompanying notes are an integral part of the individual financial statements.

English Translation of Financial Statements Originally Issued in Chinese

REWARD WOOL INDUSTRY CORPORATION
INDIVIDUAL BALANCE SHEETS
As of December 31, 2022 and December 31, 2021
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Contents	Notes	Amount	%	Amount	%
	Current liabilities					
2130	Contract liabilities-current		$13	-	$1,414	-
2170	Accounts payable		467	-	649	-
2200	Other payables		20,578	1	24,083	1
2230	Current tax liabilities		11,714	-	11,268	-
2300	Other current liabilities		264	-	3,380	-
21xx	Total current liabilities		33,036	1	40,794	1
	Non-current liabilities					
2570	Deferred tax liabilities	4 and 6.(17)	237,464	7	264,021	8
2645	Guarantee deposits		6,306	-	5,131	-
25xx	Total non-current liabilities		243,770	7	269,152	8
2xxx	Total liabilities		276,806	8	309,946	9
31xx	Equity attributable to shareholders of the parent					
3110	Common stock	6.(10)	1,384,000	42	1,384,000	40
3200	Capital surplus	6.(10)	106,097	3	106,097	3
3300	Retained earnings					
3310	Legal reserve	6.(10)	51,196	2	35,704	1
3320	Special reserve	6.(10)	539,600	16	539,600	16
3350	Unappropriated earnings	6.(10)	149,367	4	194,932	6
	Total retained earnings		740,163	22	770,236	23
3400	Other components of equity					
3410	Exchange differences resulting from translating the financial statements of foreign operations	4, 6.(6) and 6.(16)	(900)	-	(30,269)	(1)
3420	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	4, 5 and 6.(16)	814,562	25	883,238	26
	Total other components of equity		813,662	25	852,969	25
3xxx	Total equity		3,043,922	92	3,113,302	91
	Total liabilities and equity		$3,320,728	100	$3,423,248	100

The accompanying notes are an integral part of the individual financial statements.

English Translation of Financial Statements Originally Issued in Chinese

REWARD WOOL INDUSTRY CORPORATION

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			For the years ended December 31			
			2022		2021	
Code	Contents	Notes	Amount	%	Amount	%
4000	Operating revenue					
4110	Sales of goods	4 and 6.(11)	$174,545	99	$168,480	89
4800	Other operating revenue	6.(11)	1,397	1	21,665	11
	Operating revenue, net		175,942	100	190,145	100
5000	Operating costs					
5110	Cost of goods sold	6.(5) and 7	176,041	100	202,914	107
5800	Other operating costs	6.(5)	1,334	1	15,839	8
	Total operating costs		177,375	101	218,753	115
5950	Gross loss		(1,433)	(1)	(28,608)	(15)
6000	Operating expenses					
6100	Selling expenses		7,334	4	5,320	3
6200	Administrative expenses		27,606	16	32,223	17
6450	Expected credit losses	6.(12)	25	-	54	-
	Total operating expenses		34,965	20	37,597	20
6900	Operating loss		(36,398)	(21)	(66,205)	(35)
7000	Non-operating income and expenses					
7100	Interest income	6.(15)	5,721	3	1,741	1
7010	Other income	6.(15) and 7	70,642	40	56,301	30
7020	Other gains and losses	6.(15)	34,721	20	(14,540)	(8)
7050	Finance costs	6.(15)	(43)	-	(61)	-
7060	Share of profit or loss of associates and joint ventures accounted for using the equity method	4 and 6.(6)	10,498	6	215,625	113
	Total non-operating income and expenses		121,539	69	259,066	136
7900	Income before income tax		85,141	48	192,861	101
7950	Income tax expenses	4, 5 and 6.(17)	(11,791)	(7)	(38,919)	(20)
8200	Net Income		73,350	41	153,942	81
8300	Other comprehensive income (loss)					
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	4 and 6.(16)	471	-	1,217	1
8316	Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income	4 and 6.(16)	(68,676)	(39)	218,776	115
8349	Income tax related to items that will not be reclassified subsequently	4, 5 and 6.(17)	(94)	-	(243)	-
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, which may be reclassified subsequently to profit or loss	4, 6.(6) and 6.(16)	36,712	21	(18,075)	(10)
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	4, 5 and 6.(17)	(7,343)	(4)	3,615	2
	Total other comprehensive income (loss), net of tax		(38,930)	(22)	205,290	108
8500	Total comprehensive income		$34,420	19	$359,232	189
	Earnings per share (NTD)					
9750	Basic earnings per share	6.(18)				
	Net Income		$0.53		$1.11	
9850	Diluted earnings per share	6.(18)				
	Net Income		$0.53		$1.10	

The accompanying notes are an integral part of the individual financial statements.

English Translation of Financial Statements Originally Issued in Chinese

REWARD WOOL INDUSTRY CORPORATION
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Components of Equity		
	Contents	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting From Translating the Financial Statements of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total
Code		3100	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as of January 1, 2021	$1,384,000	$106,097	$-	$507,402	$357,038	$(15,809)	$664,462	$3,003,190
	Appropriation and distribution of retained earnings								
B1	Legal reserve	-	-	35,704	-	(35,704)	-	-	-
B3	Reversal of special reserve	-	-	-	32,198	(32,198)	-	-	-
B5	Cash dividends	-	-	-	-	(249,120)	-	-	(249,120)
D1	Net income in 2021	-	-	-	-	153,942	-	-	153,942
D3	Other comprehensive income (loss) in 2021	-	-	-	-	974	(14,460)	218,776	205,290
D5	Total comprehensive income (loss) in 2021	-	-	-	-	154,916	(14,460)	218,776	359,232
Z1	Balance as of December 31, 2021	$1,384,000	$106,097	$35,704	$539,600	$194,932	$(30,269)	$883,238	$3,113,302
A1	Balance as of January 1, 2022	$1,384,000	$106,097	$35,704	$539,600	$194,932	$(30,269)	$883,238	$3,113,302
	Appropriation and distribution of retained earnings								
B1	Legal reserve	-	-	15,492	-	(15,492)	-	-	-
B5	Cash dividends	-	-	-	-	(103,800)	-	-	(103,800)
D1	Net income in 2022	-	-	-	-	73,350	-	-	73,350
D3	Other comprehensive income (loss) in 2022	-	-	-	-	377	29,369	(68,676)	(38,930)
D5	Total comprehensive income (loss) in 2022	-	-	-	-	73,727	29,369	(68,676)	34,420
Z1	Balance as of December 31, 2022	$1,384,000	$106,097	$51,196	$539,600	$149,367	$(900)	$814,562	$3,043,922

The accompanying notes are an integral part of the individual financial statements.

English Translation of Financial Statements Originally Issued in Chinese

REWARD WOOL INDUSTRY CORPORATION
INDIVIDUAL STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

		For the years ended December 31	
		2022	2021
Code	Contents	Amount	Amount
AAAA	Cash flows from operating activities:		
A10000	Income before income tax	$85,141	$192,861
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation	9,695	10,260
A20300	Expected credit losses	25	54
A20900	Interest expenses	43	61
A21200	Interest income	(5,721)	(1,741)
A21300	Dividend income	(35,093)	(23,863)
A22300	Share of profit or loss of associates and joint ventures accounted for using the equity method	(10,498)	(215,625)
A22500	Gains on disposal of property, plant and equipment	(9,802)	(10,674)
A30000	Changes in operating assets and liabilities:		
A31115	Financial assets mandatorily measured at fair value through profit or loss	-	15,595
A31150	Accounts receivable	(2,415)	(5,447)
A31180	Other receivables	(89)	781
A31200	Inventories	101,473	139,515
A31230	Prepayments	37	10,090
A31240	Other current assets	(242)	(112)
A32125	Contract liabilities	(1,401)	1,159
A32150	Accounts payable	(182)	(568)
A32180	Other payables	(3,505)	(16,523)
A32230	Other current liabilities	(3,116)	1,261
A32240	Net defined benefit assets/liabilities	(280)	(165)
A33000	Cash generated from operations	124,070	96,919
A33100	Interest received	5,307	1,743
A33200	Dividend received	215,841	325,451
A33300	Interest paid	(43)	(61)
A33500	Income taxes paid	(29,973)	(29,835)
AAAA	Net cash provided by operating activities	315,202	394,217
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(92,955)	(99,402)
B00040	Acquisition of financial assets measured at amortized cost	(89,200)	(89,200)
B00060	Proceeds from disposal of financial assets measured at amortized cost	89,200	192,160
B02700	Acquisition of property, plant and equipment	(707)	(3,715)
B02800	Proceeds from disposal of property, plant and equipment	9,802	11,200
B05400	Acquisition of investment property	(170)	(550)
B06700	Increase in other non-current assets	(7,941)	-
B06800	Decrease in other non-current assets	-	57
BBBB	Net cash (used in) provided by investing activities	(91,971)	10,550
CCCC	Cash flows from financing activities:		
C00100	Increase in short-term loans	-	70,000
C00200	Decrease in short-term loans	-	(70,000)
C03000	Guarantee deposits received	1,175	1,365
C04500	Cash dividends	(103,800)	(249,120)
CCCC	Net cash used in financing activities	(102,625)	(247,755)
EEEE	Net increase in cash and cash equivalents	120,606	157,012
E00100	Cash and cash equivalents, beginning of year	429,663	272,651
E00200	Cash and cash equivalents, end of year	$550,269	$429,663

The accompanying notes are an integral part of the individual financial statements.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Reward Wool Industry Corporation ("the Company") was a profit-seeking enterprise established in accordance with the Company Act of the Republic of China, and was approved to be established on July 23, 1964.

The main activities of the Company include: (1) Manufacturing and sales of wool tops (including carbonized noil); (2) Other special processing tops for shrink-proof, dyeing and finishing; (3) Import and export of related businesses as mentioned above; (4) The Company has set up the warehouse for raw materials related to product production.

The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in April 1979 and the address of its registered office and the main business location is at 12F, No. 310, Sec. 4, Zhongxiao E. Rd Taipei City, Taiwan.

2. Date and procedures of authorization of financial statements for issue

The individual financial statements of the Company for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on March 14, 2023.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised, or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised, or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies - Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates - Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	January 1, 2023

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Disclosure Initiative - Accounting Policies - Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

B. Definition of Accounting Estimates - Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

C. Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2023. The new or amended standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not yet endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants - Amendments to IAS 1	January 1, 2024

A. IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard - IFRS 4 Insurance Contracts - from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current - Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

E. Non-current Liabilities with Covenants - Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under C, it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The individual financial statements of the Company for the years ended December 31, 2022 and 2021 have been prepared in accordance with of Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the version of International Financial Reporting Standards (the “IFRS”), International Accounting Standards (the “IAS”) and International Financial Reporting Interpretations Committee (the “IFRIC”) or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The individual financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The individual financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3) Foreign currency transactions

The Company's individual financial statements are presented in NT$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
B. The Company holds the asset primarily for the purpose of trading.
C. The Company expects to realize the asset within twelve months after the reporting period.
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. The Company expects to settle the liability in its normal operating cycle.
B. The Company holds the liability primarily for the purpose of trading.
C. The liability is due to be settled within twelve months after the reporting period.
D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Company’s business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that
are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For account receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired.
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a company of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a weighted-average basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Investments accounted for using the equity method

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "*Investments in Associates and Joint Ventures*". If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "*Impairment of Assets*". In determining the value in use of the investment, the Company estimates:

A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 "*Impairment of Assets*".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "*Property, Plant, and Equipment*". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	30～60 years
Machinery and equipment	8～17 years
Transportation equipment	5～10 years
Other equipment	5～10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Investment property

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*", investment properties are measured using the cost model in accordance with the requirements of IAS 16 "*Property, plant and equipment*" for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20～55 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

<u>Sale of goods</u>

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is wool tops (including carbonized noil) and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(16) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(17) Post-employment benefits

All regular employees of the Company is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's individual financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company’s individual financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the individual financial statements:

A. Investment properties

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 10% of the total property.

B. Operating lease commitment－Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of thefuture salary etc. The details of assumptions used to determine the cost of post-employment benefit and the pension obligation, are further explained in Note 6.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

E. Inventories

Estimates of net realizable value of inventories took into consideration that inventories selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash on hand	$520	$520
Demand deposits	34,675	61,736
Checking accounts	3,168	4,120
Time deposits	511,906	363,287
Total	$550,269	$429,663

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

	As of December 31,	
	2022	2021
Equity instrument investments measured at fair value through other comprehensive income - Non-current:		
Listed companies stocks	$293,224	$196,605
Unlisted companies stocks	777,137	849,477
Total	$1,070,361	$1,046,082

The company classifies certain financial assets at fair value through other comprehensive income and none of aforementioned assets were pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,	
	2022	2021
Related to investments held at the end of the reporting period		
Dividends recognized during the period	$35,093	$23,863

(3) Financial assets measured at amortized cost

	As of December 31,	
	2022	2021
Time deposits	$89,200	$89,200
Current	$89,200	$89,200
Non-current	-	-
Total	$89,200	$89,200

The company classifies certain financial assets measured at amortized cost and none of the aforementioned assets were pledged.

(4) Accounts receivable

	As of December 31,	
	2022	2021
Accounts receivable	$7,862	$5,447
Less: loss allowance	(79)	(54)
Total	$7,783	$5,393

Accounts receivable were not pledged.

The payment term of accounts receivable is generally T/T, Sight L/C and within L/C 30-90 days. The total carrying amount as of December 31, 2022 and 2021 were NT$7,862 and NT$5,447, respectively. Please refer to Note 6.(12) for more details on loss allowance of trade receivables for the years ended December 31, 2022 and 2022. Please refer to Note 12 for more details on credit risk management.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Inventories

	As of December 31, 2022	2021
Finished goods	$242,174	$341,330
Raw materials	4,317	6,236
Materials	30,792	31,190
Total	$277,283	$378,756

A. The Company’s inventories recognized as income is as follows:

	For the years ended December 31, 2022	2021
Gain on reversal of inventories	$(75,369)	$(29,186)
Revenue from sale of scraps	(221)	(767)
Deduction on operating costs	$(75,590)	$(29,953)

B. The cost of inventories recognized in expense amounts to NT$177,375 and NT$218,753 for the years ended December 31, 2022 and 2021, respectively.

C. The increase of net realizable value of the Company's inventories was due to the sale of inventories.

D. None of the aforementioned inventories were pledged.

(6) Investments accounted for using the equity method

A. The following table lists the investments accounted for using the equity method of the Company:

	As of December 31,			
	2022		2021	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Reward (Ningbo) Wool Industry Co., Ltd.	$546,111	23.85%	$679,649	23.85%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on the material associate of the Company:

Company name: Reward (Ningbo) Wool Industry Co., Ltd. (“ Reward (Ningbo) Wool “)

Nature of relationship with the associate: The Company originally entrusted Jadetree Investments Limited to set up Reward (Ningbo) Wool as a joint venture with other companies in China. The main business of Reward (Ningbo) Wool is manufacturing and processing for wool tops and carbonized noil. The investment was changed to direct investment as approved by Letter Jing-Shen-Er-Zi No.09700234440 on 2 July 2008. As of December 31, 2022, the Company's total paid-in capital was US$58,700, and the shareholding ratio was 23.85%.

Principal place of business (country of incorporation):

Ningbo City, Zhejiang Province, China

B. Reconciliation of the associate’s summarized financial information presented to the carrying amount of the Company’s interest in the associate is as follows:

	As of December 31,	
	2022	2021
Current assets	$2,302,587	$3,115,294
Non-current assets	486	-
Current liabilities	(13,038)	(265,614)
Non-current liabilities	(264)	-
Equity	2,289,771	2,849,680
Proportion of the Company’s ownership	23.85%	23.85%
Carrying amount of the investment	$546,111	$679,649

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The aggregate carrying amount of the Company's interests in Reward (Ningbo) Wool as of December 31, 2022 and 2021 were NT$546,111 and NT$679,649, respectively. The aggregate financial information of the Company's investments in Reward (Ningbo) Wool is as follows:

	r the years ended ecember 31,	
	22	21
Profit or loss from continuing operations	$10,498	$215,625
Other comprehensive income (post-tax)	36,712	(18,075)
Total comprehensive income	$47,210	$197,550

The aggregate carrying amount of investments accounted for under the equity method in investees whose financial amounted to NT$546,111 and NT$679,649, as of December 31, 2022 and 2021 respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amounted to NT$10,498 and NT$215,625 for the years ended December 31, 2022 and 2021, respectively. The share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method amounted to NT$36,712 and NT$(18,075) for the years ended December 31, 2022 and 2021, respectively. These amounts were based on audited financial statements of the investees.

The associates had no contingent liabilities or capital commitments as of December 31, 2022 and 2021. Also, the associates did not provide guarantees. After considering the factors such as local government's effort in improving of the city’s image, upgrading strategy of industrial transformation, fierce market competition and difficulty in the treatment of sewage and sludge, Reward (Ningbo) Wool’s board of directors approved to cease production and carry out the subsequent transformation work in July 2015.

After the factory was shutdown in July 2015, Reward (Ningbo) Wool successively sold its inventory and laid off most of employees. On December 31, 2015, the Company entrusted professionals to appraise and conduct on-site inspections, and decided to recognize appropriate impairment losses of the company's idle inventory and equipment based on the appraisal report.

Since the fourth quarter of 2016, Reward (Ningbo) Wool has successively released public bidding information for equipment transfer through local media and entrusted a third-party independent bidding company to conduct related public bidding operations. As of the first half of 2017, Reward (Ningbo) Wool has closed the bid and completed the transfer and demolition of the equipment which has been contracted for executions.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

At the same time, in order to promote operating efficiency and improve earning, the board of directors of Reward (Ningbo) Wool resolved to change the company's main business to cargo warehousing and factory leasing in the first half of 2017. Since May 2017, except for the owner occupied office building, the remaining space will be transferred to leased assets. Whether it is necessary to transform or transfer partial franchise, will depend on the local government policies, overall economic development and the performance of transformation business.

In order to keep up with the development and construction needs of Binjiang New City, Reward (Ningbo) Wool's board of directors resolved on June 15, 2020, to accept the expropriation agreement of the Housing Expropriation Management Service Center of Beilun District (Development Zone) of Ningbo City. Then, the chairman was authorized to sign the "Agreement on Monetary Compensation for Expropriation of Non-residential Houses" with the expropriators mentioned above. The expropriation agreement based on the building area held by Reward (Ningbo) Wool covered 108,382 square meters and the land certificate's area was 240,404.33 square meters. As of June 30, 2021, the expropriation agreement mentioned above has been fully completed with the expropriator.

The direct investment mentioned above in Mainland China has been approved by the Investment Committee, the Ministry of Economic Affairs.

The 2020 earnings repatriation was approved by Reward (Ningbo) Wool's board of directors in March 2021. The Company could recognize NT$301,588 according to the shareholding percentage, and received the repatriation of earnings on April 14, 2021.

The 2021 earnings repatriation was approved by Reward (Ningbo) Wool's board of directors in February 2022. The Company could recognize NT$180,748 according to the shareholding percentage, and received the repatriation of earnings on March 1, 2022.

(7) Property, plant and equipment

	As of December 31,	
	2022	2021
Owner occupied property, plant and equipment	$316,297	$325,458
Property, plant and equipment leased out under operating leases	11,323	9,390
Total	$327,620	$334,848

REWARD WOOL INDUSTRY CORPORATION
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS (Continuted)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost:						
As of Jan. 1, 2022	$274,144	$241,326	$578,492	$9,541	$9,746	$1,113,249
Additions	-	607	100	-	-	707
Disposals	-	-	(29,238)	-	(140)	(29,378)
Transfer	-	(20,316)	-	-	-	(20,316)
As of Dec. 31, 2022	$274,144	$221,617	$549,354	$9,541	$9,606	$1,064,262
As of Jan. 1, 2021	$274,144	$302,525	$907,180	$9,206	$9,799	$1,502,854
Additions	-	2,097	686	760	172	3,715
Disposals	-	-	(329,374)	(425)	(225)	(330,024)
Transfer	-	(63,296)	-	-	-	(63,296)
As of Dec. 31, 2021	$274,144	$241,326	$578,492	$9,541	$9,746	$1,113,249
Depreciation and impairment:						
As of Jan. 1, 2022	$-	$204,377	$566,507	$ 7,406	$9,501	$787,791
Depreciation	-	3,238	2,829	548	89	6,704
Disposals	-	-	(29,238)	-	(140)	(29,378)
Transfer	-	(17,152)	-	-	-	(17,152)
As of Dec. 31, 2022	$-	$190,463	$540,098	$7,954	$9,450	$747,965
As of Jan. 1, 2021	$-	$253,762	$ 892,252	$ 7,207	$9,637	$1,162,858
Depreciation	-	3,572	3,103	624	89	7,388
Disposals	-	-	(328,848)	(425)	(225)	(329,498)
Transfer	-	(52,957)	-	-	-	(52,957)
As of Dec. 31, 2021	$-	$204,377	$566,507	$7,406	$9,501	$787,791
Net carrying amount:						
As of Dec. 31, 2022	$274,144	$31,154	$9,256	$1,587	$156	$316,297
As of Dec. 31, 2021	$274,144	$36,949	$11,985	$2,135	$245	$325,458

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Property, plant and equipment leased out under operating leases

	Buildings
Cost:	
As of Jan. 1, 2022	$63,296
Additions	-
Disposals	-
Transfer	20,316
As of Dec. 31, 2022	$83,612
As of Jan. 1, 2021	$-
Additions	-
Disposals	-
Transfer	63,296
As of Dec. 31, 2021	$63,296
Depreciation and impairment:	
As of Jan. 1, 2022	$53,906
Depreciation	1,231
Disposals	-
Transfer	17,152
As of Dec. 31, 2022	$72,289
As of Jan. 1, 2021	$-
Depreciation	949
Disposals	-
Transfer	52,957
As of Dec. 31, 2021	$53,906
Net carrying amount:	
As of Dec. 31, 2022	$11,323
As of Dec. 31, 2021	$9,390

The Company's property, plant and equipment had no capitalization of interest for years ended December 31, 2022 and 2021.

None of the aforementioned property, plant and equipment were pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Investment property

The Company's investment properties includes owned investment properties. The Company has entered into commercial property leases on its owned investment properties with terms of between 1 and 5 years. These leases exclude a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	Land	Buildings	Total
Cost:			
As of Jan. 1, 2022	$413,770	$112,265	$526,035
Additions from acquisitions	-	170	170
As of Dec. 31, 2022	$413,770	$112,435	$526,205
As of Jan. 1, 2021	$413,770	$111,715	$525,485
Additions from acquisitions	-	550	550
As of Dec. 31, 2021	$413,770	$112,265	$526,035
Depreciation and impairment:			
As of Jan. 1, 2022	$-	$107,671	$107,671
Depreciation	-	1,760	1,760
As of Dec. 31, 2022	$-	$109,431	$109,431
As of Jan. 1, 2021	$-	$105,748	$105,748
Depreciation	-	1,923	1,923
As of Dec. 31, 2021	$-	$107,671	$107,671
Net carrying amount:			
As of Dec. 31, 2022	$413,770	$3,004	$416,774
As of Dec. 31, 2021	$413,770	$4,594	$418,364

	For the years ended December 31,	
	2022	2021
Lease income from investment property	$20,231	$19,385
Less：Direct operating expenses from investment property generating rental income in the current period	(5,415)	(5,414)
Total	$14,816	$13,971

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. No investment property was pledged.

B. Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the investment properties amounted to NT$1,487,781, and NT$1,469,391, as of December 31, 2022, and 2021, respectively. The fair value has been determined based on valuations performed by an independent valuer. The valuation method used are the comparative approach and cost approach of land and building, and the inputs and quantitative information used are as follows:

Comparative approach: referring to the method based on the compared object's price, to estimate the object's price after comparison, analysis, and adjustment.

	As of December 31,	
	2022	2021
Transaction Adjustment	100%-100%	70%-100%
Price Date Adjustment	100%-103%	100%-100%
Total Adjustment Rate for Regional Factors	91%-105%	91%-105%
Total Adjustment Rate for Individual Factors	88%-91%	88%-92%

Cost approach: referring to the method of obtaining the reconstruction cost or replacement cost of the underlying property on the price date, then deducting its accumulated depreciation or other deductible parts, so as to estimate the underlying property price.

	As of December 31,	
	2022	2021
Residual Price Rate	0-10%	0-10%
Remaining Useful Life	0-15 years	0-15 years

(9) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pensions accounts. The Company has made monthly contributions of 6% of each individual employees' salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$1,214 and NT$1,464, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 5% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. Regarding to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$200 to its defined benefit plan during the 12 months beginning after December 31, 2022.

The average duration of the defined benefits plan obligation are 10 years and 11 years as of December 31, 2022 and 2021, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2022 and 2021:

	For the years ended December 31,	
	2022	2021
Current period service costs	$-	$33
Interest expense	74	51
Expected return of plan assets	(85)	(52)
Total	$(11)	$32

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2022	December 31, 2021	January 1, 2021
Defined benefit obligation	$11,196	$10,570	$17,086
Plan assets at fair value	(13,456)	(12,079)	(17,213)
Net defined benefit assets	$(2,260)	$(1,509)	$(127)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2021	$17,086	$(17,213)	$(127)
Current period service costs	33	-	33
Net interest expense (income)	51	(52)	(1)
Subtotal	17,170	(17,265)	(95)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	643	-	643
Experience adjustments	(1,588)	(272)	(1,860)
Subtotal	16,225	(17,537)	(1,312)
Payments from the plan	(5,655)	5,655	-
Contributions by employer	-	(197)	(197)
As of December 31, 2021	10,570	(12,079)	(1,509)
Current period service costs	-	-	-
Net interest expense (income)	74	(85)	(11)
Subtotal	10,644	(12,164)	(1,520)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(149)	-	(149)
Experience adjustments	701	(1,023)	(322)
Subtotal	11,196	(13,187)	(1,991)
Payments from the plan	-	-	-
Contributions by employer	-	(269)	(269)
As of December 31, 2022	$11,196	$(13,456)	$(2,260)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2022	2021
Discount rate	1.33%	0.70%
Expected rate of salary increases	2.50%	2.00%

Sensitivity analysis for significant assumption is shown below:

	2022		2021	
	Increase defined benefits obligation	Decrease defined benefits obligation	Increase defined benefits obligation	Decrease defined benefits obligation
Discount rate increases by 0.5%	$-	$527	$-	$546
Discount rate discreases by 0.5%	559	-	582	-
Expected salary increases by 0.5%	549	-	571	-
Expected salary discreases by 0.5%	-	523	-	541

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(10) Equities

A. Common stock

As of December 31, 2022 and 2021, the Company’s authorized capital, and issued capital were both NT$1,793,000 and NT$1,384,000 with a par value of NT$10, with 138,000 shares of common stock issued. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	$78,850	$78,850
Treasury stock transactions	27,109	27,109
Other	138	138
Total	$106,097	$106,097

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy: It is a long-term financial plan that matches the future development plan and considers the investment environment and working capital needs, and aims at sustainable operation and taking into account the interests of shareholders. Distribution of dividends to shareholders may not be less than 40% of the current year's surplus after paying taxes, making up for accumulated losses, and setting aside reserves every year. However, when the available earnings is less than 5% of the paid-in capital, the dividend may not be distributed. Shareholders' dividend can be paid in cash or shares, but the cash portion shall be no less than 50% of total dividends.

According to the Company Act, the Company shall set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

On March 31, 2022, the FSC issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

On the Company's first-time adoption of the IFRS, the amount of special reserve was NT$539,600. As of December 31, 2022, the shareholders' meeting approved that the company offset prior years' operation losses and reversed special reserve in the amount of NT$124,802 and NT$124,802, respectively. The special reserve that has not been reserved amounted to NT$0.

The 2020 earnings distribution was resolved at the shareholders' meeting held on July 29, 2021. The Company appropriated legal reserve of NT$35,704, and reversed special reserve of NT$32,198 in accordance with regulations. Meanwhile, the Company distributed ordinary share cash dividend in the amount of NT$249,120, at NT$1.8 per share distributed in cash.

The 2021 earnings distribution was resolved at the shareholders' meeting held on June 21, 2022. The Company appropriated legal reserve of NT$15,492, and distributed ordinary share cash dividend in the amount of NT$103,800, at NT$0.75 per share distributed in cash.

The 2022 earnings distribution was approved at the board meeting held on March 14, 2023. The Company appropriated legal reserve of NT$7,373, and distributed ordinary share cash dividend in the amount of NT$27,680, at NT$0.2 per share distributed in cash.

Please refer to Note 6.(14) for details on employees' compensation and remuneration to directors and supervisors.

(11) Operating revenue

Analysis of revenue from contracts with customers during the years ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the years ended December 31,	
	2022	2021
Revenue from contracts with customers		
Sale of goods	$174,545	$168,480
Other operating revenue	1,397	21,665
Total	$175,942	$190,145

B. The company's recognition of revenue from contracts with customers is at a point in time.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Expected credit losses

	For the years ended December 31, 2022	2021
Operating expenses - Expected credit losses		
Accounts receivable	$(25)	$(54)

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2022 is as follows:

The Company considers the grouping of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

As of December 31, 2022

	Not yet due(note)	Overdue <=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$7,862	$-	$-	$-	$-	$-	$7,862
Loss rate	1%						1%
Lifetime expected credit losses	(79)	-	-	-	-	-	(79)
Carrying amount of accounts receivable	$7,783	$-	$-	$-	$-	$-	$7,783

As of December 31, 2021

	Not yet due(note)	Overdue <=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$5,447	$-	$-	$-	$-	$-	$5,447
Loss rate	1%						1%
Lifetime expected credit losses	(54)	-	-	-	-	-	(54)
Carrying amount of accounts receivable	$5,393	$-	$-	$-	$-	$-	$5,393

Note： The company's accounts receivable are not overdue.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The movement in the provision for impairment of accounts receivable for the years ended December 31, 2022 and 2021 is as follows:

	Accounts receivable
Bal. as of Jan. 1, 2022	$(54)
Addition for the current period	(25)
Bal. as of Dec. 31, 2022	$(79)
Bal. as of Jan. 31, 2021	$-
Addition for the current period	(54)
Bal. as of Dec. 31, 2021	$(54)

(13) Leases

A. Company as a lessor

Please refer to Note 6.(8) for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2022	2021
Lease income for operating leases		
Income related to fixed lease payments	$33,653	$29,578

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2022 are as follows:

	As of December 31,	
	2022	2021
Within one year	$30,563	$28,115
Later than one year but not later than two years	18,457	19,653
Later than two years but not later than three years	14,444	16,093
Later than three years but not later than four years	5,504	9,374
Later than four years but not later than five years	2,855	483
Later than five years	-	-
Total	$71,823	$73,718

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(14) Summary statement of employee benefits, depreciation expenses by function is as follows:

	For the year ended December 31, 2022				For the year ended December 31, 2021			
	Operating costs	Operating expenses	Non-operating expenses	Total amount	Operating costs	Operating expenses	Non-operating expenses	Total amount
Employee benefits expense								
Salaries	$14,904	$13,377	$2,259	$30,540	$19,228	$17,494	$2,286	$39,008
Labor and health insurance	1,602	962	197	2,761	2,232	1,115	234	3,581
Pension	634	467	102	1,203	859	523	114	1,496
Director's remuneration	-	4,675	-	4,675	-	5,108	-	5,108
Other employee benefits expense	1,188	529	226	1,943	1,718	628	320	2,666
Depreciation	6,651	713	2,331	9,695	6,925	769	2,566	10,260

There were 55 and 67 of employees of the Company in 2022 and 2021, respectively, of which the directors who did not hold a concurrent post as employees was 4 and 4, respectively. The Company's average employee benefits in 2022 and 2021 amounted to NT$715 and NT$742, and the average employee salary were NT$599 and NT$619. The Company's average employee salary expense was reduced by 3% in 2022.

The remuneration of supervisors was NT$0 and NT$277, respectively, for the years ended December 31, 2022 and 2021.

The remuneration of employees and directors are expressly stipulated in the Company’s Articles of Incorporation. The Company also set up a remuneration committee to evaluate the salary and remuneration of each director and manager according to law. In addition to considering the Company's operating performance, development strategy and industry standards, the Company also considers personal contribution to the Company's operations, and gives appropriate rewards.

The Company has formulated an appropriate employee benefits system in accordance with the applicable laws and the Company’s actual needs. In addition to the monthly salaries, year-end bonuses and employee remuneration are calculated based on the personal annual performance and the Company's operation as the salaries and wages of employees.

According to the Articles of Incorporation, no less than 4% of profit of the current year is distributable as employees’ compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the board of directors’ resolution regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the years ended December 31, 2022 and 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors, respectively, based on the profit of the current year. The estimates were recognized as operating expense in the current year. If there is significant change in the amount indicated in the board meeting resolution in the subsequent period, the current profit and loss will be adjusted. The employees' compensation and remuneration to directors and supervisors amounted to NT$3,585 and NT$896, respectively, for the year ended December 31, 2022, recognized as salary and wages expense. The employees' compensation and remuneration to directors and supervisors amounted to NT$8,120 and NT$2,030, respectively, for the year ended December 31, 2021, recognized as salary and wages expense.

A resolution was passed at the board meeting held on March 22, 2022 to distribute NT$8,120 and NT$2,030 in cash as employees' compensation and remuneration to directors and supervisors in 2021, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2021.

(15) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2022	2021
Financial assets measured at amortized cost	$5,721	$1,741

B. Other income

	For the years ended December 31,	
	2022	2021
Dividend income	$35,093	$23,863
Lease income	33,653	29,587
Government grants	-	958
Others	1,896	1,902
Total	$70,642	$56,301

In 2021, the Company applied to the Industrial Development Bureau, Ministry of Economic Affairs for salary and working capital subsidies for difficult businesses affected by severe specific infectious pneumonia in the manufacturing industry and its technical service industry. The Company has received NT$958 for the year ended December 31, 2021, and the cash subsidy was fully paid out as salary in 2021.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Other gains and losses

	For the years ended December 31, 2022	2021
Foreign exchange gains (losses)	$37,179	$(10,300)
Gains on disposal of property, plant and equipment	9,802	10,674
Gains on disposal of investments	-	103
Gains on financial assets at fair value through profit or loss	-	(95)
Miscellaneous expenses	(12,260)	(14,922)
Total	$34,721	$(14,540)

D. Finance costs

	For the years ended December 31, 2022	2021
Interest on deposits	$(43)	$(61)

(16) Components of other comprehensive income

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$471	$-	$471	$(94)	$377
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(68,676)	-	(68,676)	-	(68,676)
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	36,712	-	36,712	(7,343)	29,369
Total other comprehensive income (loss)	$(31,493)	$-	$(31,493)	$(7,437)	$(38,930)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$1,217	$-	$1,217	$(243)	$974
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	218,776	-	218,776	-	218,776
To be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(18,075)	-	(18,075)	3,615	(14,460)
Total other comprehensive income (loss)	$201,918	$-	$201,918	$3,372	$205,290

(17) Income tax

A. The major components of income tax income (expense) for the years ended December 31, 2022 and 2021 are as follows:

Income tax income (expense) recognized in profit or loss

	For the years ended December 31, 2022	2021
Current income tax expense (income):		
Current income tax charge	$(30,400)	$(41,309)
Adjustments in respect of current income tax of prior periods	(19)	-
Deferred tax income (expense):		
Deferred tax income (expense) relating to origination and reversal of temporary differences	18,628	12,196
Deferred tax income (expense) relating to origination and reversal of tax loss and tax credit	-	(9,806)
Total income tax expense	$(11,791)	$(38,919)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Income tax relating to components of other comprehensive income

	For the years ended December 31, 2022	2021
Income tax related to items that will not be reclassified subsequently:		
Deferred tax expense (income):		
Remeasurement of defined benefit obligation	$(94)	$(243)
Items that may be reclassified subsequently to profit or loss:		
Deferred tax expense (income):		
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(7,343)	3,615
Income tax relating to components of other comprehensive income	$(7,437)	$3,372

B. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31, 2022	2021
Accounting income before tax from continuing operations	$85,141	$192,861
Tax at the domestic rates applicable to profits in the country concerned	$(17,028)	$(38,572)
Tax effect of expenses not deductible for tax purposes	7,018	4,964
Corporate income surtax on undistributed retained earnings	(1,781)	(2,001)
Tax effect of deferred tax assets/liabilities	-	(3,310)
Total income tax expense recognized in profit or loss	$(11,791)	$(38,919)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Deferred tax assets and liabilities related to the following:

For the year ended December 31, 2022

	Beginning balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31
Temporary differences				
Unrealized exchange losses (gains)	$978	$(292)	$-	$686
Unrealized inventory write-down	37,211	(15,074)	-	22,137
Investments accounted for using the equity method	(70,648)	34,050	(7,343)	(43,941)
Pension liabilities	(33)	(56)	-	(89)
Actuarial gains and losses of pension	(243)	-	(94)	(337)
Reserve for land value increment tax	(193,097)	-	-	(193,097)
Deferred tax expense		$18,628	$(7,437)	
Net deferred tax assets (liabilities)	$(225,832)			$(214,641)
Reflected in balance sheet as follows:				
Deferred tax assets	$38,189			$22,823
Deferred tax liabilities	$(264,021)			$(237,464)

For the year ended December 31, 2021

	Beginning balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31
Temporary differences				
Unrealized exchange losses (gains)	$124	$854	$-	$978
Unrealized inventory write-down	43,048	(5,837)	-	37,211
Unused tax losses	9,806	(9,806)	-	-
Unrealized losses on financial assets	(19)	19	-	-
Investments accounted for using the equity method	(91,456)	17,193	3,615	(70,648)
Pension liabilities	-	(33)	-	(33)
Actuarial gains and losses of pension	-	-	(243)	(243)
Provision for land value increment tax	(193,097)	-	-	(193,097)
Deferred tax expense		$2,390	$3,372	
Net deferred tax assets (liabilities)	$(231,594)			$(225,832)
Reserve in balance sheet as follows:				
Deferred tax assets	$52,978			$38,189
Deferred tax liabilities	$(284,572)			$(264,021)

D. The Company’s assessment of the income tax returns has been approved by national taxation bureau Taipei up to 2020.

(18) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the years ended December 31,	
	2022	2021
Basic earnings per share(NT$)		
Net income (in thousands NT$)	$73,350	$153,942
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	138,400	138,400
Basic earnings per share (NT$)	$0.53元	$1.11元

B. Diluted earnings per share

	For the years ended December 31,	
	2022	2021
Net income (in thousands NT$)	$73,350	$153,942
Net income after dilution (in thousands NT$)	$73,350	$153,942
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	138,400	138,400
Effect of dilution:		
Employee compensation - stock (in thousands)	267	1,179
Weighted average number of ordinary shares outstanding after dilution (in thousands)	138,667	139,579
Diluted earnings per share (NT$)	$0.53元	$1.10元

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Cathay Chemical Works,Inc.	Substantive related party

Significant transactions with the related parties

(1) Purchases

	For the years ended December 31,	
Other related parties	2022	2021
Cathay Chemical Works,Inc.	$74	$33

The payment terms from the related party suppliers are comparable with third party suppliers, and domestic transactions adoped immediate cheque.

(2) Lease income

	For the years ended December 31,	
Other related parties	2022	2021
Cathay Chemical Works,Inc.	$297	$-

The Company's real estate is leased to related parties under general lease terms.

(3) Other income

	For the years ended December 31,	
Other related parties	2022	2021
Cathay Chemical Works,Inc.	$1,840	$1,840

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	$7,292	$10,058
Post-employment benefits	83	114
Total	$7,375	$10,172

8. Assets pledged as security

None.

9. Significant contingencies and unrecognized contractual commitments

As of December 31, 2022, the Company had the following commitments and contingencies that were not included in the above financial statements:

(1) The guaranteed bills issued for the comprehensive credit limit amounted to NT$400,000 and USD11,300.

(2) The Company requested the Shanghai Commercial & Savings Bank, Ltd. to issue a guarantee letter of NT$2,000, and provided the letter to Keelung Customs, Customs Administration of Ministry of Finance as a guarantee for imported goods.

10. Losses due to major disasters

None.

11. Significant subsequent events

(1) On January 18, 2023, the board of directors of the Company's mainland investee passed the following major resolution:
The mainland investee plans to reduce the registered capital from US$58.7 million to US$3 million, and the capital contribution of each shareholder will be reduced according to the shareholding percentage. The proposal has been approved by the competent authority. The Company expects to recover USD13.28 million.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) In order to adjust the Company’s capital structure to enhance its return on equity, the Company's board of directors resolved on March 14, 2023 to reduce capital by 28%, for a total of $387,520 thousand, thereby eliminating 38,752 thousand shares. The proposal will be submitted to the shareholders' meeting for discussion, and after it is approved and submitted to the competent authority for approval, the chairman will be authorized to set a record date for the capital reduction.

12. Other

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through other comprehensive income	$1,070,361	$1,046,082
Financial assets measured at amortized cost	89,200	89,200
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	549,749	429,143
Accounts receivable	7,783	5,393
Total	$1,717,093	$1,569,818

Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities measured at amortized cost:		
Payables	$21,045	$24,732
Guarantee deposits	6,306	5,131
Total	$27,351	$29,863

(2) Financial risk management objectives and policies

The Company’s principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company’s policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2022 and 2021 is increased/decreased by NT$2,310 and NT$3,364, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company do not has bank borrowings, so it exposure to the risk of changes in market interest rates relates primarily to the time deposits. However, there is no significant interest rate risk to the Company.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$2,932 and NT$1,966 on the equity attributable to the Company for the years ended December 31, 2022 and 2021, respectively.

Please refer to Note 12. (7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or L/C.

As of December 31, 2022 and 2021, the accounts receivable from top ten customers represent 100% and 100% of the total accounts receivable of the Company, respectively. The credit concentration risk of other accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions and companies with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and highly liquid equity investments. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Dec. 31, 2022					
Payables	$21,045	$-	$-	$-	$21,045
As of Dec. 31, 2021					
Payables	$24,732	$-	$-	$-	$24,732

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(d) Fair value of debt instruments without market quotations are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivable, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Company's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount as of December 31,	
	2022	2021
Financial assets		
Financial assets measured at amortized cost	$89,200	$89,200

	Fair value as of December 31,	
	2022	2021
Financial assets		
Financial assets measured at amortized cost	$89,200	$89,200

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$-	$-	$-	$-
Equity instrument measured at fair value through other comprehensive income				
Stocks	293,224	-	777,137	1,070,361

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$-	$-	$-	$-
Equity instrument measured at fair value through other comprehensive income				
Stocks	196,605	-	849,477	1,046,082

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of January 1, 2022	$849,477
Total gains and losses recognized for the year ended December 31, 2022:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(72,340)
Acquisition/issues for the year ended December 31, 2022	-
Disposal/settlements for the year ended December 31, 2022	-
Transfer in/(out) of Level 3	-
Ending balances as of December 31, 2022	$777,137

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of January 1, 2021	$649,684
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in profit or loss (presented in “other profit or loss”)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	199,793
Acquisition/issues for the year ended December 31, 2021	-
Disposal/settlements for the year ended December 31, 2021	-
Transfer in/(out) of Level 3	-
Ending balances as of December 31, 2021	$849,477

Gains and losses related to assets on hand as of December 31, 2022 and 2021 have not been recognized in profit or loss in the table above.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets					
Financial assets at fair value through other comprehensive income					
Stocks	Income Approach	Expected future cash dividends and final share’s sale price	101.12	The higher the investee company's expected annual dividends and final sale price, the higher estimation of fair value	When the invested company expected annual dividends and the final sale price increases (decreases) by 1%, the profit and loss of the company will increase/decrease by NT$7,771

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets					
Financial assets at fair value through other comprehensive income					
Stocks	Income Approach	Expected future cash dividends and final share's sale price	134.85	The higher the investee company's expected annual dividends and final sale price, the higher estimation of fair value	When the invested company expected annual dividends and the final sale price increases (decreases) by 1%, the profit and loss of the company will increase/decrease by NT$8,495.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets measured at amortized cost				
Time deposits	$89,200	$-	$-	$89,200
Investment properties (please refer to Note 6.(8))	-	-	1,487,781	1,487,781
Investments accounted for using the equity method (please refer to Note 6.(6))	-	-	546,111	546,111

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets measured at amortized cost				
Time deposits	$89,200	$-	$-	$89,200
Investment properties (please refer to Note 6.(8))	-	-	1,469,391	1,469,391
Investments accounted for using the equity method (please refer to Note 6.(6))	-	-	679,649	679,649

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: thousand

	As of December 31, 2022		
Financial assets	Foreign currencies	Foreign exchange rate	NTD
Monetary items:			
USD	$7,531	30.675	$231,024
Non-monetary items:			
CNY	$123,770	4.4123	$546,111

	As of December 31, 2021		
Financial assets	Foreign currencies	Foreign exchange rate	NTD
Monetary items:			
USD	$12,177	27.627	$336,403
Non-monetary items:			
CNY	$157,547	4.3415	$679,649

The foreign exchange gains (losses) were NT$37,179, and NT$(10,300) for the years ended December 31, 2022 and 2021, respectively.

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

A. Information at significant transactions

(a) Financing provided to others for the year ended December 31, 2022: None.
(b) Endorsement/guarantee provided to others for the year ended December 31, 2022: None.
(c) Securities held as of December 31, 2022: refer to Attachment 1.
(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock for the year ended December 31, 2022: None.
(e) Acquisition of real estate up to the amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2022: None.
(f) Disposal of real estate up to the amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2022: None.
(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2022: None.
(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2022: None.
(i) Engaging in derivative transactions for the year ended December 31, 2022: None.

B. Information on investees

(a) Those who directly or indirectly have significant influence, control or joint venture control over the investee not in the mainland area, should be disclosed name, location, main business, original investment amount, shareholding status as of December 31, 2022, current profit and loss and recognized investment gains and losses: None.

(b) The Company has directly or indirectly control over the investee, information on major transactions of the investee: None.

C. Information on investments in mainland China

(a) The investee company name, main business, paid-in capital, type of the investment, capital inflow and outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and the mainland investment limit scenario: refer to Attachment 2.

(b) Transactions with the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as below:

i. Purchase amount and percentage: None.

ii. Sales amount and percentage and the ending balance of related receivables and percentage for the year ended December 31, 2022: None.

iii. Gains and loss on the transaction of property: None.

iv. Ending balance, and purpose of endorsement guarantees or collateral: None.

v. Ending balance maximum balance, maximum limit, interest rates range and current interest amount of financing: None.

vi. Other investments that have significant impact on current profit or financial condition, such as the services provided or received: None.

D. Information on major shareholders:

The list of shareholders holding more than 5% (inclusive) shares of the listed company should be disclosed: refer to Attachment 3.

14. <u>Segment information</u>

The Company mainly engaged in textile business of wool tops and superwash tops. The chief operating decision maker reviewed the overall operation to allocate the resources and evaluate the overall performance of the Company. Therefore, it was aggregated into a single segment. The information about profit and loss, assets and liabilities of department is consistent with the financial statements, please refer to the balance sheet and statements of comprehensive income.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) Geographical information

Income from external clients:

	For the years ended December 31, 2022	2021
Taiwan	$59,397	$78,761
Japan	32,368	28,829
South Korea	882	8,276
China (including Hong Kong)	-	12,446
Others	83,295	61,833
Total	$175,942	$190,145

Revenue is classified based on the country of customers.

The Company's non-current assets (excluding financial products, deferred income tax assets and pension plan assets) as of December 31, 2022 and 2021 were NT$ 752,633 and NT$ 753,510, all of which were in Taiwan.

(2) Significant customer information:

The customers who accounted for more than 10% of the company's net operating revenue for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31,			
	2022		2021	
Customer	Sales Amount	%	Sales Amount	%
A	$21,688	12%	$17,402	9%
B	18,027	10%	4,210	2%
C	14,436	8%	20,732	11%

REWARD WOOL INDUSTRY CORPORATION

(Expressed in Thousands of New Taiwan Dollars)

Attachment 1: Holding of marketable securities as of December 31, 2022 (Excluding subsidiaries, associates and joint ventures) (Unit : thousands of NTD)

Securities held by	Name and type of marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	Financial statement account	As of December 31, 2022				Note
				Number of shares	Carrying amount (Note 3)	Percentage of ownership (%)	Fair value/ Net asset value	(Note 4)
Reward Wool Industry Corporation	Cathay Chemical Works, Inc. – Stock	Major shareholders of legal shareholders are same as the major shareholders of the Company	Financial assets at fair value through other comprehensive income – non-current	10,274,428	$257,374	6.81%	$257,374	
	Yuanta Financial Holding Co., Ltd. – Stock	–	Financial assets at fair value through other comprehensive income – non-current	89,564	1,944	-	1,944	
	Taiwan Fire & Marine Insurance Co., Ltd. – Stoc	–	Financial assets at fair value through other comprehensive income – non-current	1,658,000	33,906	0.46%	33,906	
	Taiwan Stock Exchange (TWSE) – Stock	–	Financial assets at fair value through other comprehensive income – non-current	7,685,291	777,137	0.91%	777,137	
			Total		$1,070,361		$1,070,361	

Note 1: The term of "marketable securities" in this table refers to stocks, bonds, beneficiary certificates and marketable securities derived from the items mentioned above within the scope of IFRS 9 "*Financial Instruments*".

Note 2: This column is omitted where a marketable securities issuer is not a related party.

Note 3: If it is measured at fair value, please fill in the carrying amount after the fair value adjustment less and deducting the accumulated impairment loss; if it is not measured by fair value, please fill in the acquisition cost or amortized cost in less and deducting the accumulated impairment loss.

Note 4: For listed securities with restricted uses due to being secured for guarantees, pledged loans or other contractual uses,the remarks section should indicate the number of shares secured or pledged, the amount of guarantees or pledges, and the details of the restricted use.

REWARD WOOL INDUSTRY CORPORATION

(Expressed in Thousands of New Taiwan Dollars)

Attachment 2: Information on investments in mainland China

1. The investee company name, main business, paid-in capital, type of the investment, capital inflow and outflow, ownership, investment gains and losses, ending balance of investment, repatriation of investment income and the mainland investment limit:

Name of investee company	Main business	Total amount of paid-in capital	Type of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Percentage of ownership	Net profit (loss) of the investee of current period	Investment gains (losses) recognized in the current period (Note 4)	Book value of investments as of December 31, 2022	Accumulated earnings repatriation of investment income as of December 31, 2022
					Outflow	Inflow						
Reward (Ningbo) Wool Industry Co., Ltd.	Wool tops, carbonization noils, cleaning tops , lanolin, textiles , concrete and water manufacture of clay products processing; Lease factory and general warehousing	$1,770,136 (USD$58,700)	(Note 1)	$234,782 (USD$9,094)	$-	$-	$234,782 (USD$9,094)	23.85%	$44,015	$10,498	$546,111	$573,965 (USD$20,136)

Accumulated outflows of investment from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
$234,782 (USD$9,094)	USD$14,000 (Note 2)(Note 3)	$1,826,353

Note 1: Investment method:

The direct investment in mainland China companies was approved by the Investment Committee, Ministry of Economic Affairs with Letter Jing-Shen-Er-Zi No. 09700234440 issued on July 2, 2008.

Note 2: The investment of the Company in the amount of US$10,000 was approved by the Investment Committee, Ministry of Economic Affairs with letter Jing-Tou-Shen (82)-Mi-Zi No. 11888 on July 27, 1993. Also, the investment of the Company in the amount of US$10,000 as approved by the Investment Committee, Ministry of Economic Affairs with Letter (86) Tou-Shen-Er-Zi No. 85021280 on January 28, 1997. However, the investment was never implemented over a long period. Then, divestment of the Company in the amount of US$7,920 was approved by the Investment Committee, Ministry of Economic Affairs with letter Tou-Shen-Jing-Shen -Er -Zi No. 10100042730 on Febuary 13, 2012. Therefore, the investment was approved in the amount of US$12,080.

Note 3: The investment of the Company in the amount of US$1,920 was approved by the Investment Committee, Ministry of Economic Affairs with letter Jing-Shen-Er-Zi No. 09700372040 on October 7, 2008.

Note 4: The investment gains and losses recognized in this period was based on the financial figures of the investee company, which was audited by the auditors of the associated companies in Taiwan in 2022.

Note 5: In 2022, the cash repatriation amounted to USD 5,917 and the prepaid tax amounted to USD 657, totaling USD 6,574 (equal to NT$180,748). The repatriation was approved by the Investment Committee, Ministry of Economic Affairs with letter Jing-Shen-Er-Zi No. 1100039420 on April 6, 2022.

REWARD WOOL INDUSTRY CORPORATION

(Expressed in Thousands of New Taiwan Dollars)

Attachment 3: Information on major shareholders

Shares / Name of major shareholders	Number of shares hold	Ownership (%)
Zhong Cheng Investment Corp.	20,777,070	15.01%
Hengchang Investment Co., Ltd.	17,718,586	12.80%
Litai Investment Co., Ltd.	15,035,257	10.86%
Cathay Chemical Works, Inc.	11,743,600	8.48%

Note: If the Company applies to the Taiwan Depository & Clearing Corporation (TDCC) to obtain the information stated in the table, the following matters must be included in the remarks section:

(1) The information of shareholders is mainly derived from the last business day of quarter-end when shareholders hold more than 5% of the common shares and preferred shares that have completed (including treasury shares) dematerialization registration. There may be differences between the stated shares in the Company's financial statements and the actual shares completed and delivered in the dematerialization registration, due to differences in calculation basis.

(2) If the above-mentioned information is in the case of shareholders handing over shares to the trust, the individual account of the trustor who set up the trust account with the trustee should be disclosed. As for shareholders who declare insiders’ shareholding statement in accordance with the Securities and Exchange Act for holding more than 10% of the shares. the shareholding information shallIt includes shares held personally and shares that are put into the trust and shares thathold then the right to can exercise decision-making power over the trust property, etc. Please refer to the Market Observation Post System (MOPS) for more information on the insiders’ shareholding statement.

Reward Wool Industry Corporation

Chairman