CHIH LIEN INDUSTRIAL CO., LTD.

Stock Code: 2024

2022

Annual Report

Prepared by CHIH LIEN INDUSTRIAL CO., LTD.

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The website for this Annual Report is http://mops.twse.com.tw or http://www.chihlien.com.tw

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Acting spokesperson of the Company
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II. Address and telephone number of head office, branch office and plant
Head Office Address: No. 480, Zhongxing Road, Xinwu District, Taoyuan City
Telephone: (03)477-2797
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Telephone: (03)477-2797

III. Name, address and telephone number of the stock transfer agency
Name: CAPITAL SECURITIES CORP.
Address: B2, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City
Website: http://agency.capital.com.tw
Telephone: (02)2702-3999

IV. Attesting CPAs
Name of CPAs: Po-Shu Huang, Chung-Shun Wu
CPA Firm: KPMG
Address: Floor 68, No. 7, Section 5, Xinyi Road, Taipei City
Website: http://www.kpmg.com.tw
Telephone: (02)8101-6666

V. Name of the offshore exchange where the Company's securities are listed, and the method by which to access information on the offshore securities: not applicable.

VI. Company Website: http://www.chihlien.com.tw

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One. Letter to Shareholders

I. 2022 Business Implementation Overview (The following figures are prepared on an unconsolidated financial reporting basis)

1. Business plan implementation results

   The Company's net sales for 2022 were $1,168,598 thousand, down 23% from $1,526,451 thousand in 2021. Operating gross profit was $135,983 thousand, down 48% from $263,248 thousand in 2021. Net operating profit was $62,761 thousand, down 66% from $182,434 thousand in 2021. Net non-operating income (expense) decreased by $135 thousand compared with 2021. Net profit after tax for 2022 was $47,219 thousand, down 67% from net profit after tax of $143,349 thousand in 2021.

2. Operating receipts and expenditures, budget execution and profitability analysis

   (1) The Company did not disclose financial forecast for 2022, so it is not applicable to disclose budget execution.

   (2) Financial receipts and expenditures and profitability analysis

Unit: Thousands of NTD

Financial receipts and expenditures	Amount (Thousands of NTD)	Profitability item	%
Net operating revenue	1,168,598	Return on assets	2.75%
Operating gross profit	135,983	Return on equity	3.87%
Operating expenses	73,222	Net operating profit to paid-in capital ratio	6.44%
Net operating profit	62,761	Net profit before tax to paid-in capital ratio	6.05%
Net non-operating income (expense)	(3,735)	Net profit margin	4.04%
Net profit before tax	59,026	Basic earnings per share (Unit: NTD)	0.48
Note: After the city lockdown in Mainland China in April 2022, market demand dropped rapidly. In addition, consumers shopped less due to the significant increase in inflation and interest rate hike, and demand in the end market was sluggish, resulting in a significant decline in revenue and profit compared to 2021.			

3. R&D status:

   (1) Completed the upgrade to more advanced and environmentally friendly fully automated acid pickling equipment.

   (2) Continue to introduce auto parts and fastening equipment and enter the auto material market.

II. 2023 Business Plan Summary

1. Business Policy

   (1) Provide education and training for young employees, to improve the quality of human resources, and to enhance overall competitiveness.

   (2) Pursue innovation and breakthrough, cost-conscious, teamwork, benefit-sharing, employee care and shareholder feedback.

   (3) Enhance capacity utilization, actively expand overseas markets, improve product yields, and refine various production processes.

   (4) Implement the management philosophy of "Innovation, Growth, Service, and Human Harmony" to achieve the annual target.

2. Business Target

   Compared to 2022, the sales volume target for this year is expected to increase slightly.

3. Important production and sales policy

(1) Maintain the quality of our business and improve the breadth, competitiveness and profitability of our products.
(2) Expand the proportion of export sales and direct customers, and provide customers with better quality bar and wire materials.
(3) Increase the breadth and depth of steel wire products, such as the market of spheroidized wire for large diameter motorcycle fasteners and the development of wire for small diameter oil seals.

4. Effect of external competition, legal environment, and overall business environment.
   (1) External competition
   The external environment is still highly competitive. The Company will continue to strive for self-improvement, refine its process capabilities and improve product yields, and try to move towards new products and equipment, and move towards high value-added products.
   (2) Legal environment
   The Company has implemented various management measures in accordance with the laws and regulations related to labor, occupational safety, environmental protection, accounting, and taxation, and no significant changes in the legal environment have affected its financial operations in the recent year.
   (3) Overall business:
   China Steel indicated: international inflation is expected to peak, the U.S. Federal Reserve shall slow the pace of interest rate increases, resulting in the USD index to fall from its high point, prompting capital to return to the financial and trade markets, and driving the international quotes for commodities to stop falling and stabilize. After the G20 summit, the global leaders' consensus on "economic development", coupled with the gradual relaxation of pandemic prevention measures in China and the promotion of economic revitalization measures and infrastructure by a number of countries, will help the global economy and manufacturing industry to accelerate back to the growth track.

5. Future development strategy of the Company
   (1) Introduce new type of steel bar equipment and develop new niche products to reduce the risk of transition competition of existing products.
   (2) Invest in Southeast Asian countries to set up plants or business bases to reduce tariff barriers and adjust the overseas market deployment.

President: Chung-Liang Pan

Two. Company Profile

I. Date of Establishment: September 3, 1973

II. Company History

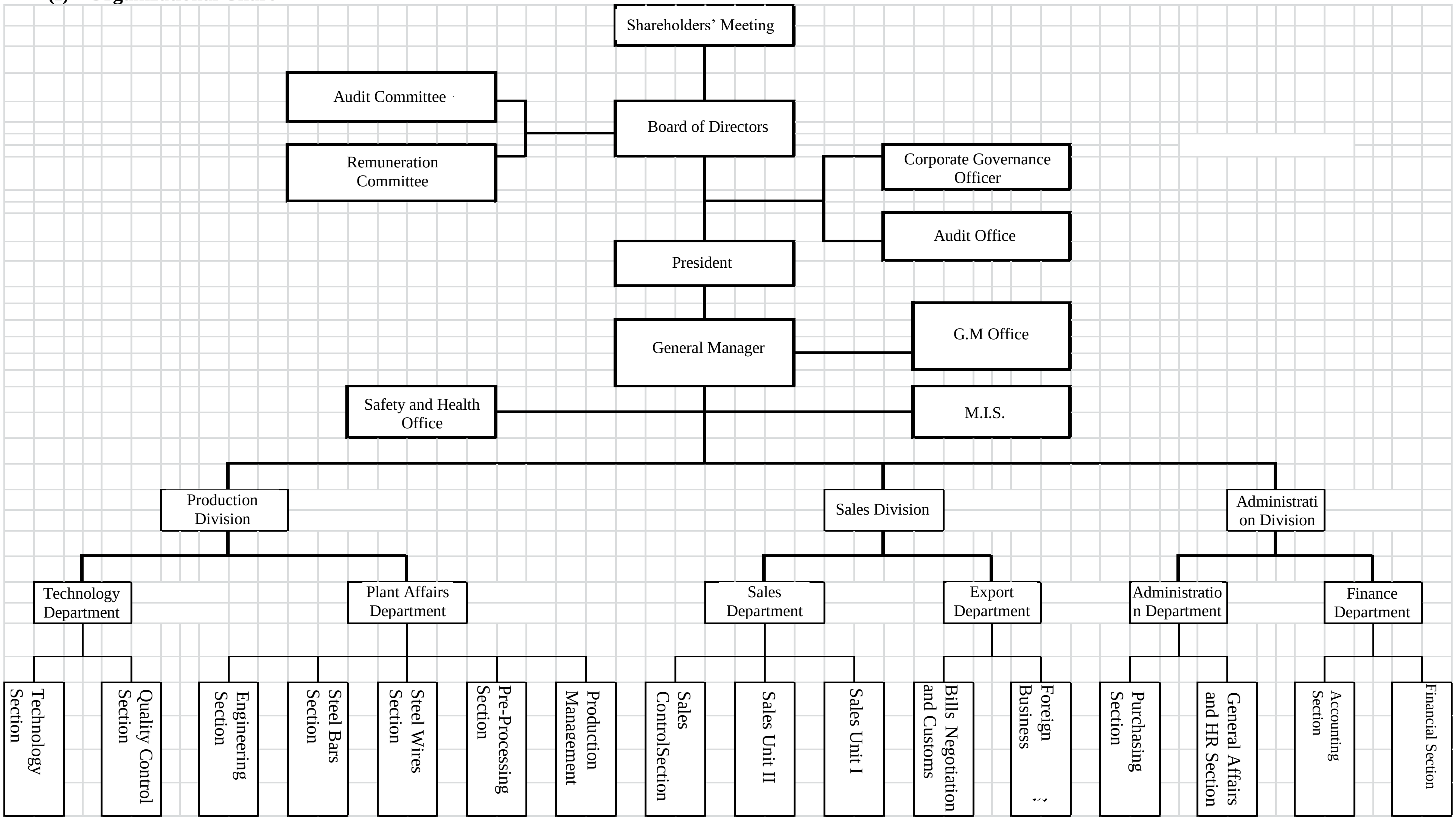
1973	On 1973.09.03, the Company was established in Taipei with a capital of NT$3,000,000
1975	Changed capital to NT$25,000,000 (with capital increase by cash of NT$22,000,000). Purchased the property at the address: No. 200, Caoluo Village, Guanyin Township, Taoyuan County, and built the first pioneer plant in Taiwan for free cutting steel.
1978	Changed capital to NT$50,000,000 (with capital increase by cash of NT$25,000,000).
1980	Developed chromium-vanadium alloy steel to improve the quality of raw materials for screwdriver production.
1982	Obtained the certificate of registration of products from the Bureau of Standards, Metrology and Inspection
1986	Developed stainless steel series products.
1987	Changed capital to NT$100,000,000 (with capital increase from earnings of NT$24,000,000 and from capital surplus of NT$26,000,000).
1990	Merged Shin Yu Industrial Co., Ltd. as the Fengshan Plant of CHIH LIEN INDUSTRIAL CO., LTD. and changed capital to NT$160,000,000.
1992	Changed capital to NT$199,000,000 (with capital increase from capital surplus of NT$39,000,000).
1993	Changed capital to NT$390,637,000 (with capital increase by cash of NT$95,520,000 in cash, from earnings of NT$39,800,000, from a capital surplus of NT$56,317,000), and applied to the Securities and Futures Bureau of the Ministry of Finance for a retroactive handling of public offering of shares.
1994	Changed capital to NT$429,700,700 (with capital increase from earnings of NT$39,063,700).
1995	Changed capital to NT$502,749,820 (with capital increase from earnings of NT$51,564,080 and from capital surplus of NT$21,485,040). On December 5, 1995, Guanyin Plant officially passed the ISO9002 / CNS12682 quality system certification registration by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs. On December 30, 1995, the company's shares were listed and traded as Class II stocks.
1996	Changed capital to NT$829,609,000 (with capital increase by cash of NT$250,000,000, from earnings of NT$51,721,689 and from capital surplus of NT$25,137,491). On September 25, 1996, Fengshan Plant officially passed the ISO9002 / CNS12682 quality system certification registration by the Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs. Invested to establish “Tai Union Inc.”
1997	Changed capital to NT$912,569,900 (with capital increase from capital surplus of NT$82,960,900). Guanyin Plant Established Dongguan Plant in China in May with the incorporation of CHIH LIEN STEEL WIRE & STEEL ROPE (DONGGUAN) CO., LTD. through Tai Union Inc.
1998	Changed capital to NT$1,503,826,890 (with capital increase by cash of NT$500,000,000 and from capital surplus of NT$91,256,990).
1999	Changed paid-in capital to NT$1,548,941,690 (with capital increase from capital surplus of NT$45,114,800). On 1999.9.20, construction of Xinwu Plant was completed and the Plant officially started operations.
2000	Changed capital to NT$1,496,271,690 (with capital reduction by retiring treasury stock of NT$52,670,000).

2002	On 2002.03.28, Mr. Chun-Hsing Liu took over as President of the Board. The staff of the Minquan East Road office in Taipei moved to the co-located office in Xinwu Plant
2003	On 2003.07.14 The Company moved to the current location: Zhongxing Road, Xinwu District, Taoyuan City
2005	The disposal of Fengshan Plant was completed in May, 2005. Disposal of idle assets at the Minquan East Road office in Taipei was completed in July 2005. Changed capital to NT$931,000,000 (with capital reduction by making up for losses of NT$565,271,690).
2006	Changed capital to NT$1,043,500,000 (with cash capital increase by private placement of NT$90,000,000). Disposal of idle assets at Guanyin Plant was completed on 2006.9.26.
2007	Changed capital to NT$1,118,500,000 (with cash capital increased by a private placement of NT$60,000,000).
2010	On 2010.7.15, signed a 3-year syndicated credit agreement with First Commercial Bank (the host bank), Entie Commercial Bank, DBS Bank and Bank of Kaohsiung for NT$870 million, significantly improving the financial structure.
2011	Purchased for the replacement of major equipment and inspection facilities at the steel bar plant to improve quality yields and increase the proportion of products for automobiles and motorcycles. Established the Remuneration Committee on December 29.
2012	In January, changed capital to NT$1,095,500,000 (with capital reduction by retiring treasury stock of NT$23,000,000). In May 2012, the retrospective handling of public offering for the cash capital increases by private placement from 2006 to 2007 was completed. On 2012.12.18, signed a five-year syndicated credit agreement with First Commercial Bank (the host bank), Taiwan Business Bank, Entie Commercial Bank, and Taichung Commercial Bank for NT$710 million for repayments of old loans.
2013	In December, the Board of Directors resolved to dispose of the shares of Tai Union Inc. and signed a contract.
2014	In June, the disposal of the shares of Tai Union Inc. was completed. In October, changed capital to NT$1,020,000,000 (with capital reduction by retiring treasury stock of NT$75,500,000).
2015	In June, the Board of Directors was re-elected and two new independent directors were appointed. In September, purchased an E2 ultrasonic detector and completed the upgrade of FIB annealing machine to improve the product inspection and process capability. In October, changed capital to NT$975,000,000 (with capital reduction by retiring treasury stock of NT$45,000,000).
2017	In April, the 499KW solar power station jointly built by Chunghwa Telecom and Kingstone Energy Technology Corporation on the roof of the plant rented out to them started generating electricity upon completion of the construction to create a green, low-carbon, energy-saving business environment and fulfill corporate social responsibility.
2018	In October, Mr. Cheng-Hwa Li took over as President of the Board.
2019	The fully automatic pickling equipment for advanced environmental protection started operations. In October, Mr. Chung-Liang Pan took over as President of the Board.
2021	On August 25, established the Audit Committee to replace the supervisory system
2022	In November, obtained ISO 50001 energy management certification and ISO 14001 environmental management certification In November, signed a contract with FENG HSIN STEEL CO., LTD. to rent out the roof of the plant to build a 1800KW solar power station.

Three. Corporate Governance Report

I. Organizational system and main businesses of each department

(I) Organizational Chart



(II) Main business of each department.

Name of department	Main business
Audit Committee	1. Establishment of or amendment to internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 2. Evaluation of the effectiveness of the internal control system. 3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others. 4. Matters that involve the self-interests of the directors. 5. Material assets or derivative transactions. 6. The lending of funds, endorsement, or guarantee in huge sum. 7. The offering, issuance, or private placement of any equity-type securities. 8. The appointment, dismissal, or compensation for attesting CPAs. 9. The appointment or discharge of the financial, accounting, or internal auditing officer. 10. The annual financial statements and the quarterly financial statements
Remuneration Committee	1. Establish and regularly review the policies, systems, standards and packages for performance evaluation and remuneration for directors and managerial officers. 2. Regularly evaluate and set the remuneration for directors and managerial officers.
Corporate Governance Officer	1. Administrate the Board of Directors' meetings and shareholders' meetings in accordance with the law. 2. Prepare the minutes of the Board of Directors' meetings and shareholders' meetings. 3. Assist in the appointment and continuing education of directors. 4. Provide information necessary for directors to carry out their business 5. Assist directors in complying with the law
Audit Office	1. Promote, develop, update and implement the internal control system. 2. Prepare and execute annual audit plans and issue audit reports on a regular basis. 3. Promote and review the self-inspection operations of internal control system.
General Manager Office	1. Matters related to corporate policies, management policy evaluation planning and system formulation 2. Management of the Company's project implementation
M.I.S.	1. Management and maintenance of computer hardware and unified management planning of software systems. 2. Control and prevention of information security.
Safety and Health Office	1. Formulate, plan, supervise and promote all safety and health management matters such as fire prevention, occupational safety...etc. Verify the effectiveness of implementation and improvement of deficiencies of related departments. 2. Plan and implement various education and training programs to improve

	overall employee safety and health performance and effectively control risks.
Plant Affairs Department	1. Coordinate the manufacturing and production management of products. 2. Warehouse management and facilities maintenance.
Technology Department	1. Establishment of quality assurance and quality inspection system, establishment and implementation of various inspection standard systems. 2. Handle production technology and process improvement issues, and negotiate with sales units on new product and technology development.
Sales Department	Promote sales and services for domestic customers.
Export Department	Promote sales and services for foreign customers.
Finance Department	1. Accounting and accounts close 2. Tax returns 3. Treasury and cash management 4. Information reporting and disclosure. 5. Stock affairs administration
Administration Department	1. Coordinate the management of personnel payroll calculation and payment. 2. Plan, develop and manage the human resources of the Company. 3. Coordinate the management of general affairs and plant operations. 4. Contact window for legal affairs.

II. Information on directors, presidents, vice presidents, assistant VP, and officers of departments and branches

Information on directors (I)

March 26, 2023

Job Title (Note 1)	Name	Nationality or place of registration	Gender (Note 2)	Date elected	Term of office	Date first elected (Note 3)	Shareholding when elected		Shareholding at present		Shareholding of spouse and dependents at present		Shareholding in the name of others	
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
President	Dasheng International: Representative: Chung-Liang Pan	R.O.C.	Male	2021.8.25	3 years	2001.06.04 2019.10.22	10,468,000 1,635,843	10.73% 1.68%	10,984,000 3,476,843	11.27% 3.57%	3,837,000	3.94%	1,617,000	1.66%
Director	Dasheng International: Representative: Yi-Sheng Tseng	R.O.C.	Male	2021.8.25	3 years	2001.06.04 2021.08.25	10,468,000 0	10.73% 0%	10,984,000 0	11.27% 0%	-	-	-	-
Director	Renhe International: Representative: Hsiao-Chueh Hsieh	R.O.C.	Female	2021.8.25	3 years	2001.06.04 2020.01.06	9,910,000 2,200,000	10.16% 2.26%	10,365,000 3,837,000	10.63% 3.94%	3,476,843	3.57%	-	-
Director	PROSPERITY DID ENTERPRISE: Representative: Kao-Huang Lin	R.O.C.	Male	2021.8.25 2021.11.2	3 years	2021.08.25 2021.11.2	9,200,000 0	9.44% 0%	9,260,000 0	9.50%	-	-	-	-
Independent Director	Chung-Yu Wang	R.O.C.	Male	2021.8.25	3 years	2021.8.25	0	0%	0	0%	-	-	-	-
Independent Director	Shu-Chin Liang	R.O.C.	Female	2021.8.25	3 years	2021.8.25	0	0%	0	0%	-	-	-	-
Independent Director	Wan-Chen Tseng	R.O.C.	Female	2021.8.25	3 years	2021.8.25	0	0%	0	0%	-	-	-	-

March 26, 2023

Job Title (Note 1)	Name	Major education and experience (Note 4)	Concurrent positions in the Company and other companies at present	Spouse or relatives within second degree of kinship who are managerial officers or directors of the Company			Remark (Note 5)
				Job Title	Name	Relationship	
President	Dasheng International: Representative: Chung-Liang Pan	Taipei Shixin High School / President of JUNE LAI METAL CO., LTD.	President of JUNE LAI METAL CO., LTD. / President of TAIWAN STEEL WIRE & WIRE ROPE INDUSTRIES ASSOCIATION / President of Dasheng International / Director of Renhe International	Director	Hsiao-Chueh Hsieh	Spouses	
Director	Dasheng International: Representative: Yi-Sheng Tseng	Graduate School of Law, Tunghai University / Judge of Civil Division, Taipei District Court / Prosecutor of Taipei District Prosecutors Office	Independent Director of Wan Hai Lines, Ltd. / Practicing Attorney	–	–	–	
Director	Renhe International: Representative: Hsiao-Chueh Hsieh	EMBA Business Management Program, National Chengchi University / Vice President of JUNE LAI METAL CO., LTD.	Independent Director of Shihlin Paper Co. Ltd. / President of Dasheng International / President of Renhe International	President	Chung-Liang Pan	Spouses	
Director	PROSPERITY DID ENTERPRISE: Representative: Kao-Huang Lin	Graduated from high school / President of PROSPERITY TIEH ENTERPRISE CO., LTD.	President of PROSPERITY TIEH ENTERPRISE CO., LTD. / President of PROSPERITY DID ENTERPRISE CO., LTD. / President of Lian Cheng Investment Development Co., Ltd.	–	–	–	
Independent Director	Chung-Yu Wang	Department of Chemical Engineering, Chung Yuan University / Executive Fellowship, Harvard University / President of China Steel & TONG LUNG METAL & Kaohsiung Rapid Transit Corporation / Independent Director of CTBC Bank & Chunghwa Telecom / Legislator of the 5th Term	Director, CX Technology Corporation / Director of CURIEMED CORPORATION / Independent Director of GlobalWafers Co., Ltd	–	–	–	
Independent Director	Shu-Chin Liang	Master of Business Administration, National Taiwan University of Science and Technology / Supervisor of SOUTH CHINA INSURANCE CO., LTD. / Manager of Consumer Credit Management Department, Hua Nan Commercial Bank / Manager of Shinwell Branch, Hua Nan Commercial Bank	Independent Director of Enliven Therapeutics, Inc.	–	–	–	
Independent Director	Wan-Chen Tseng	Bachelor of Laws of National Taiwan University / Master of Graduate School of Law, National University of Kaohsiung / Judge Assistant, Pingtung District Court / Director of Ministry of Education	Practicing Attorney of Liu, Lin, Yuan and Shaw Attorneys at Law				

Note 1: The names of corporate shareholders and their representatives should be listed separately (for those who are representatives of corporate shareholders, the names of corporate shareholders they represent should be indicated) and should be listed as below Schedule 1.
Note 2: The age range of directors is detailed in the Board of Directors' diversity policy, objectives, and achievements, as described on P.11 of this Annual Report.
Note 3: Enter the time when a first-time director or supervisor of the Company took office. If there is any interruption in service, an explanation should be included.
Note 4: Experiences related to current position, such as having worked for the firm of the attesting CPAs or its affiliates during the above-mentioned period, the job title of the position and the duties performed should be specified.
Note 5: If the President and the president or equivalents (the top managerial officers) of the Company are the same person, each other's spouse or relative within first degree of kinship, the reason, rationale, necessity, countermeasures (such as increasing the number of independent directors and having a majority of directors who are not concurrently serving as employees or managerial officers, etc.) and related information should be described.

Schedule 1: Major shareholders of corporate shareholders

March 31, 2023

Name of corporate shareholders(Note 1)	Major shareholders of corporate shareholders(Note 2)
Dasheng International Investment Co., Ltd.:	JUNE LAI METAL CO., LTD. (53%), Shu-Hui Lai (12%), Chung-Liang Pan (11%), Tung-Ching Pan (11%), Kuo-Ming Chen (5%)
Renhe International Investment Co., Ltd.	JUNE LAI METAL CO., LTD. (53%), Jung-Chung Chen (12%), Hsiao-Chueh Hsieh (11%), Tung-Ching Pan (11%), Kuo-Ming Chen (5%)
Prosperity Did Enterprise Co., Ltd.	Hancheng Investment Co., Ltd. (20%), Lian Cheng Investment Development Co., Ltd. (20%), Longwei Investment Development Co., Ltd. (20%)

Note 1: If the director or supervisor is a representative of a corporate shareholder, the name of the corporate shareholder should be filled in.

Note 2: Enter the names of the major shareholders of the corporate shareholders (whose shareholdings are among the top ten) and their shareholding percentages. If the major shareholder is a corporation, the following Schedule 2 should be completed.

Note 3: If a corporate shareholder is not a company organization, the name of the shareholder and the percentage of shareholding in the preceding paragraph shall be the name of the investor or donor and the percentage of the investment or donation.

Schedule 2: Where the major shareholders are corporations in Schedule 1, the major shareholders

March 31, 2023

Name of corporate shareholders(Note 1)	Major shareholders of corporate shareholders (Note 2)
June Lai Metal Co., Ltd.	Hsiao-Chueh Hsieh (50%), Chung-Liang Pan (46%), Kuan-Hua Pan (3%), Ko-Hua Pan (1%)
Hancheng Investment Co., Ltd.	Ching-Hang Lin(24%), Yu-Tzu Lin(24%), Kao-Huang Lin(13%), Li-Mei Chao(13%)
Lian Cheng Investment Development Co., Ltd.	Hong-Ye Steel Co., Ltd. (53%), Rich Logistics Co., Ltd. (2%), Yu-Tzu Lin(1%)
Longwei Investment Development Co., Ltd.	Prosperity Tieh Enterprise Co., Ltd. (94.70%), Kao-Huang Lin(1.75%), Li-Mei Chao(1.40%), Ching-Hang Lin(0.76%), Yu-Tzu Lin(0.70%)

Note 1: If the major shareholder in Schedule 1 above is a corporation, the name of the corporation should be filled in.

Note 2: Enter the names of the major shareholders of the corporations (whose shareholdings are among the top ten) and their shareholding percentages.

Note 3: If a corporate shareholder is not a company organization, the name of the shareholder and the percentage of shareholding in the preceding paragraph shall be the name of the investor or donor and the percentage of the investment or donation.

Information on directors (II)

I. Disclosure of professional qualification of directors and independence of independent directors

Criteria / Name	Professional qualification and experience(Note 1)	Status of independence (Note 2)	Number of other public companies in which the individual is concurrently serving as an independent director
Director Chung-Liang Pan	President of JUNE LAI METAL CO., LTD. / President of TAIWAN STEEL WIRE & WIRE ROPE INDUSTRIES ASSOCIATION (Without any of the circumstances under Article 30 of the Company Act)	Spousal relationship with Director Hsiao-Chueh Hsieh	0
Director Yi-Sheng Tseng	Graduate School of Law, Tunghai University / Judge of Civil Division, Taipei District Court / Prosecutor of Taipei District Prosecutors Office / Independent Director of Wan Hai Lines, Ltd. / Practicing Attorney (Without any of the circumstances under Article 30 of the Company Act)	● Without any of the circumstances under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act	1
Director Hsiao-Chueh Hsieh	EMBA Business Management Program, National Chengchi University / Vice President of JUNE LAI METAL CO., LTD. / Independent Director of Shihlin Paper Co. Ltd. (Without any of the circumstances under Article 30 of the Company Act)	Spousal relationship with Director Chung-Liang Pan	1
Director Kao-Huang Lin	President of PROSPERITY TIEH ENTERPRISE CO., LTD. / President of Lian Cheng Investment Development Co., Ltd. (Without any of the circumstances under Article 30 of the Company Act)	● Without any of the circumstances under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act	0
Independent Director Chung-Yu Wang	Department of Chemical Engineering, Chung Yuan University / President of China Steel Independent Director of CTBC Bank, Chunghwa Telecom and GlobalWafers Co., Ltd / Legislator of the 5th term (Without any of the circumstances under Article 30 of the Company Act)	● Without any of the circumstances under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act ● Without any of the circumstances under Note 2	1
Independent Director Shu-Chin Liang	Master of Business Administration, National Taiwan University of Science and Technology / Supervisor of SOUTH CHINA INSURANCE CO., LTD. / Manager of Consumer Credit Management Department, Hua Nan Commercial Bank / Independent Director of Enliven Therapeutics, Inc. Formerly serviced in the affiliates of Hua Nan Financial Holdings Co., Ltd. with accounting or financial expertise (Without any of the circumstances under Article 30 of the Company Act)	● Without any of the circumstances under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act ● Without any of the circumstances under Note 2	1
Independent Director Wan-Chen Tseng	Master of Graduate School of Law, National Taiwan University / Judge Assistant, Pingtung District Court / Director of Ministry of Education / Practicing Attorney (Without any of the circumstances under Article 30 of the Company Act)	● Without any of the circumstances under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act ● Without any of the circumstances under Note 2	0

Note 1: Professional qualification and experience: Describe the professional qualification and experience of individual directors and supervisors, and if they are members of the audit committee and have accounting or financial expertise, specify their accounting or financial background and work experience, and state whether they have any of the circumstances under the provisions of Article 30 of the Company Act.

Note 2: Describe the status of independence for independent directors, including but not limited to whether they, their spouses or relatives within second degree of kinship, are directors, supervisors or employees of the Company or its affiliates; the number and percentage of shares held by them (or in the name of others); whether or not they are directors of companies with specific relationships with the Company (refer to Subparagraphs 5~8, Paragraph1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The amount of remuneration received from the Company or its affiliates for business, legal, financial and accounting services in the most recent two years.

Note 3: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

II. Diversity and Independence of Board of Directors

(I) Diversity of the Board of Directors:

1. Diversity Policy:

In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company's Board of Directors' on 2021.9.29 made the latest amendments to the "**Corporate Governance Best Practices Principles**" for a total of 61 articles, of which Article 20: Diversity for the composition of the Board of Directors should be taken into considerations, and in addition to the requirement that the number of directors who also serve as the Company's managerial officers should not exceed one-third of the number of directors, appropriate diversity guidelines for its operations, business model and development should be formulated, including but not limited to the following two major criteria:

(1) Basic criteria and values: gender, age, nationality and culture, etc.

(2) Professional knowledge and skills: professional background (*e.g.*, law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

2. Specific management objectives.
The Board of Directors of the Company shall direct the Company's strategy, supervise the management, and be responsible to the Company and its shareholders. The operations and arrangements of the Company's corporate governance system shall ensure that the Board of Directors shall exercise its authority in accordance with the law, the provisions of the Company's Articles of Incorporation, or the resolutions of the shareholders' meetings. The members of the Board of Directors of the Company possess the knowledge, skills, and education necessary for the execution of their business, as well as the ability to make decisions and manage the industry. The Company continues to arrange diversified training programs for its Board members to enhance the quality of their decision-making and supervisory skills, and to strengthen the Board of Directors' functions. In addition, the Company also emphasizes gender equality in the composition of the Board of Directors, with at least one female director.
3. The implementation of diversity of the Board of Directors members at present is as follows:
The current Board of Directors consists of seven directors, each of whom possesses the abilities according to their education and experience and the related implementation status as follows:

Core item of diversity	Basic composition							Industry experience				Professional competence			
	Nationality	Gender	Concurrently an employee of the Company	Age			Years of service as an independent director	Operational judgment	Business management	Leadership and decision making	Industry knowledge	Finance and accounting	Legal affairs	Commerce	Risk management
Name of director				40 ~ 55 years old	56 ~ 70 years old	71 ~ 85 years old	Less than 3 years								
Chung-Liang Pan	R.O.C.	Male	-			√	-	√	√	√	√			√	√
Yi-Sheng Tseng	R.O.C.	Male	-	√			-	√	√	√	√		√	√	√
Hsiao-Chueh Hsieh	R.O.C.	Female	-		√		-	√	√	√	√	√		√	√
Kao-Huang Lin	R.O.C.	Male	-		√		-	√	√	√	√			√	√
Chung-Yu Wang	R.O.C.	Male	-			√	√	√	√	√	√			√	√
Shu-Chin Liang	R.O.C.	Female	-		√		√	√	√	√	√	√		√	√
Wan-Chen Tseng	R.O.C.	Female	-	√			√	√	√	√	√		√	√	√

Note: Percentage of female directors: 3/7(43%)

(II) Independence of the Board of Directors:
1. The total number of independent directors is 3, accounting for 43% of all of the 7 directors.
2. None of the 7 directors have any of the circumstances under Article 30 of the Company Act.
3. None of the 7 directors, except that Chung-Liang Pan and Hsiao-Chueh Hsieh are spouses, have any of the circumstances under of Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.; that is, none of the other 5 directors are related to each other as spouses or relatives within the second degree of kinship.
4. Percentage of directors who are concurrently employees of the Company: 0/7(0%)

(II) Information on directors, presidents, vice presidents, assistant VP, and officers of departments and branches

March 26, 2023

Job Title (Note 1)	Nationality	Name	Gender	Date assuming office	Shareholding		Shareholding of spouse and dependents		Shareholding in the name of others		Major education and experience (Note 2)	Concurrent positions in other companies at present	Spouse or relatives within second degree of kinship who are managerial officers of the Company			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job Title	Name	Relationship	
President	R.O.C.	Chen-Wang Hsieh	Male	2018.8.29	0	0	0	0	-	-	Industrial Management Department, Tamsui College of Business and Administration, CHIH LIEN (Plant Manager, Manager, Vice President)	None	-	-	-	-
Assistant VP	R.O.C.	Ming-Yuan Chiu	Male	2011.4.1	30,000	0.03%	0	0	-	-	Department of Accounting, National Cheng Kung University, CHIH LIEN (Manager)	None	-	-	-	-
Assistant VP	R.O.C.	Huan Chang	Male	2011.4.1	0	0	0	0	-	-	Department of International Trade, Fu Jen Catholic University, CHIH LIEN (Manager/Plant Manager)	None	-	-	-	-
Assistant VP	R.O.C.	Hsin-An Lin	Male	2022.1.1	16,000	0.02%	0	0	-	-	Department of Business Administration, Nanya Institute of Technology, CHIH LIEN (Manager)	None	-	-	-	-

Note 1: Information on President, Vice President, Assistant VP, officers of department and branch should be included, and any position equivalent to President, Vice President or Assistant VP, regardless of the job titles, should also be disclosed.

Note 2: Experiences related to current position, such as having worked for the firm of the attesting CPAs or its affiliates during the above-mentioned period, the job title of the position and the duties performed should be specified.

Note 3: If the president or equivalents (the top managerial officer) and the President of the Company are the same person, each other's spouse or relative within first degree of kinship, the reason, rationality, necessity, countermeasures (such as increasing the number of independent directors and having a majority of directors who are not concurrently serving as employees or managerial officers, etc.) and related information should be disclosed.

(III) Remuneration for directors, president and vice presidents in the most recent year (names and remuneration are disclosed individually)

1. Remuneration for regular and independent directors

Unit: Thousands of NTD

Job Title	Name (Note 1)	Remuneration for directors								A, B, C and D as a % of the net profit after tax (Note 10)	
		Base remuneration (A) (Note 2)		Severance and pension (B)		Profit-sharing remuneration for directors (C) (Note 3)		Business execution expenses (D) (Note 4)			
		The Company	All companies in the financial statements (Note 8)	The Company	All companies in the financial statements (Note 8)	The Company	All companies in the financial statements (Note 8)	The Company	All companies in the financial statements (Note 8)	The Company	All companies in the financial statements (Note 8)
President	Dasheng (Representative: Chung-Liang Pan)	2,110	2,110	-	-	466	466	1,135	1,135	3,711	7.86 %
Director	Dasheng (Representative: Yi-Sheng Tseng)	81	81	-	-	466	466	18	18	565	1.20 %
Director	Renhe (Representative: Hsiao-Chueh Hsieh)	81	81	-	-	466	466	18	18	565	1.20 %
Director	PROSPERITY DID (Representative: Kao-Huang Lin)	81	81	-	-	466	466	18	18	565	1.20 %
Independent Director	Chung-Yu Wang	441	441	-	-	-	-	18	18	459	0.97 %
Independent Director	Shu-Chin Liang	441	441	-	-	-	-	18	18	459	0.97 %
Independent Director	Wan-Chen Tseng	441	441	-	-	-	-	18	18	459	0.97 %

Job Title	Name (Note 1)	Remuneration for the concurrent position as an employee								A, B, C, D, E, F and G as a % of the net profit after tax (Note 10)		Remuneration from investees other than subsidiaries or parent company (Note 11)
		Salary, bonus, special allowance (E) (Note 5)		Severance and pension (F)		Profit-sharing remuneration for employees (G) (Note 6)						
		The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	The Company		All companies in the financial statements (Note 7)		The Company	All companies in the financial statements	
						Cash amount	Stock amount	Cash amount	Stock amount			
President	Dasheng (Representative: Chung-Liang Pan)	0	0	0	0	0	0	0	0	3,711	7.86%	None
Director	Dasheng (Representative: Yi-Sheng Tseng)	0	0	0	0	0	0	0	0	565	1.20%	None
Director	Renhe (Representative: Hsiao-Chueh Hsieh)	0	0	0	0	0	0	0	0	565	1.20%	None
Director	PROSPERITY DID (Representative: Kao-Huang Lin)	0	0	0	0	0	0	0	0	565	1.20%	None
Independent Director	Chung-Yu Wang	0	0	-	-	-	-	-	-	459	0.97%	None
Independent Director	Shu-Chin Liang	0	0	-	-	-	-	-	-	459	0.97%	None
Independent Director	Wan-Chen Tseng	0	0	-	-	-	-	-	-	459	0.97%	None

Note: The policy, system, standard and package of remuneration for independent directors are described in detail on P.21 of this Annual Report.

Remuneration range table

Remuneration ranges for the directors of the Company	Name of director			
	Total amount of the four remunerations (A+B+C+D)		Total amount of the seven remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the financial statements (Note 9) H	The Company (Note 8)	All companies in the financial statements (Note 9) I
Less than $1,000,000	Regular Director: Yi-Sheng Tseng, Yi-Sheng Tseng, Kao-Huang Lin Independent Director: Chung-Yu Wang, Shu-Chin Liang, Wan-Chen Tseng	Regular Director: Yi-Sheng Tseng, Yi-Sheng Tseng, Kao-Huang Lin Independent Director: Chung-Yu Wang, Shu-Chin Liang, Wan-Chen Tseng	Regular Director: Yi-Sheng Tseng, Yi-Sheng Tseng, Kao-Huang Lin Independent Director: Chung-Yu Wang, Shu-Chin Liang, Wan-Chen Tseng	Regular Director: Yi-Sheng Tseng, Yi-Sheng Tseng, Kao-Huang Lin Independent Director: Chung-Yu Wang, Shu-Chin Liang, Wan-Chen Tseng
$1,000,000 (inclusive) ~ $2,000,000 (exclusive)				
$2,000,000 (inclusive) ~ $3,500,000 (exclusive)				
$3,500,000 (inclusive) ~ $5,000,000 (exclusive)	Regular Director: Chung-Liang Pan	Regular Director: Chung-Liang Pan	Regular Director: Chung-Liang Pan	Regular Director: Chung-Liang Pan
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)				
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)				
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)				
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)				
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)				
More than $100,000,000				
Total	6,783	6,783	6,783	6,783

Note 1: The names of directors should be listed separately (the names of corporate shareholders and their representatives should be listed separately), and the regular directors and independent directors should be listed separately, and the amount of each payment should be disclosed in a summary manner. If a director is also the president or vice president, this schedule and the following schedule should be filled in with the remuneration for president and vice president.

Note 2: This refers to the remuneration for directors in the most recent year (including salaries, duty allowance, severance, various bonuses and incentive payments, etc.).

Note 3: This is the amount of the remuneration for directors approved by the Board of Directors in the most recent year.

Note 4: This refers to directors' business execution expenses in the most recent year (including transportation fee, special allowance, various stipends, dormitory, company car, etc.). The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other means of transportation or personal expenditures are provided. In addition, if a driver is provided, please note the relevant compensation paid by the Company to the driver, but do not include it in the remuneration for directors.

Note 5: This refers to the salary, duty allowance, severance, various bonuses, incentive payments, transportation fee, special allowance, various stipends, dormitory, company car and other provisions, etc., received by a director who is concurrently serving as an employee (including part-time president, vice president, other officers and employees) in the most recent year. The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other means of transportation or personal expenditures are provided. In addition, if a driver is provided, please note the relevant compensation paid by the Company to the driver, but do not include it in the remuneration for directors. In addition, salary expense recognized under IFRS 2, "Share-based Payment," including the acquisition of employee stock options, new restricted employee stock, and participation in cash capital increase to subscribe for shares, should also be included in remuneration.

Note 6: The amount of employee remuneration (including stock and cash) received by a director who is concurrently an employee (including part-time president, vice president, other officers and employees) in the most recent year should be disclosed as approved by the Board of Directors in the most recent year, and if the amount cannot be estimated, the proposed payment amount for this year should be calculated in proportion to the actual payment amount most recent year, and should also be listed in Exhibit 1-3.

Note 7: The total amount of remuneration paid to the directors of the Company by all companies in the consolidated statements (including the Company) should be disclosed.

Note 8: The total amount of each remuneration paid by the Company to each director is disclosed with the name of the director at the range the amount belongs to.

Note 9: The total amount of remuneration paid to the directors of the Company by all companies in the consolidated statements (including the Company) should be disclosed with the name of the director at the range the amount belongs to.

Note 10: The net profit after tax refer to the net profit after tax of the most recent year for parent company only or unconsolidated financial statements.

Note 11: a. This column should explicitly state whether the directors of the Company "have" or "have not" received remuneration from investees other than subsidiaries or parent company.

b. If a director of the Company receives remuneration from investees other than subsidiaries or parent company, the remuneration received by the director of the Company from investees other than subsidiaries or parent company should be included in column I of the schedule of remuneration ranges, and the name of the column should be changed to "parent and all investees."

c. Remuneration refers to the compensation or payment (including profit-sharing remuneration to employees, directors and supervisors) and business execution expenses of the directors of the Company in their capacity as directors, supervisors or officers of an investee other than a subsidiary or parent company.

∗The remuneration disclosed here is different from the concept of income under the Income Tax Act, therefore, the purpose here is for information disclosure and not for tax return purposes.

2. Remuneration for supervisors: Not applicable as on August 25, 2021, the Company established the Audit Committee to replace the supervisory system.

3. Remuneration for president and vice presidents in the most recent year (names and remuneration are disclosed individually)

Unit: Thousands of NTD

Job Title (Note)	Name	Salary (A) (Note 2)		Severance and pension (B)		Bonus and special allowance (C) (Note 3)		Profit-sharing remuneration for employees (D) (Note 4)				A, B, C and D as a % of the net profit after tax (%) (Note 8)		Remuneration from investees other than subsidiaries or parent company (Note 9)
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company		All companies in the financial statements (Note 5)		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chen-Wang Hsieh	2,322	2,322	92	92	1,822	1,822	43	0	43	0	9.06	9.06	None

Note: The Company did not have a vice president for the years 2019 ~ 2022.

* Regardless of title, any position equivalent to that of a president or vice president (e.g., president, chief executive officer, director...etc.) shall be disclosed.

Remuneration range table

Remuneration ranges for the president and vice president of the Company	Name of the president and vice president	
	The Company (Note 6)	All companies in the financial statements (Note 7) E
Less than $1,000,000		
$1,000,000 (inclusive) ~ $2,000,000 (exclusive)		
$2,000,000 (inclusive) ~ $3,500,000 (exclusive)		
$3,500,000 (inclusive) ~ $5,000,000 (exclusive)	Chen-Wang Hsieh	Chen-Wang Hsieh
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)		
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)		
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)		
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)		
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)		
More than $100,000,000		
Total	4,279	4,279

Note 1: The names of president and vice president should be listed separately and the amount of each payment shall be disclosed in a summary manner. If a director is also the president or vice president, this schedule and the following schedules (1-1), (1-2-1) or (1-2-2) should be filled in.

Note 2: This is for the salary, duty allowance and severance pay of president and vice president in the most recent year.

Note 3: This is for various bonuses, incentive payments, transportation fee, special expenses, various stipends, dormitories, company cars and other provisions for president and vice president in the most recent year. The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other means of transportation or personal expenditures are provided. In addition, if a driver is provided, please note the relevant compensation paid by the Company to the driver, but do not include it in the remuneration for directors. In addition, salary expense recognized under IFRS 2, "Share-based Payment," including the acquisition of employee stock options, new restricted employee stock, and participation in cash capital increase to subscribe for shares, should also be included in remuneration.

Note 4: The amount of employee remuneration (including stock and cash) received by the president and vice president in the most recent year should be disclosed as approved by the Board of Directors, and if the amount cannot be estimated, the proposed payment amount for this year should be calculated in proportion to the actual payment amount in the most recent year, and should also be listed in Exhibit 1-3.

Note 5: The total amount of remuneration paid to the president and vice president of the Company by all companies in the consolidated statements (including the Company) should be disclosed.

Note 6: The total amount of each remuneration paid by the Company to each president and vice president is disclosed with the name of the president or vice president at the range the amount belongs to.

Note 7: The total amount of remuneration paid to the president or vice president of the Company by all companies in the consolidated statements (including the Company) should be disclosed with the name of the president or vice president at the range the amount belongs to.

Note 8: The net profit after tax refer to the net profit after tax of the most recent year for parent company only or unconsolidated financial statements.

Note 9 a. This column should explicitly state whether the president and the vice president of the Company "have" or "have not" received remuneration from investees other than subsidiaries or parent company.

b. If a president or vice president of the Company receives remuneration from investees other than subsidiaries or parent company, the remuneration received by the president or vice president of the Company from investees other than subsidiaries or parent company should be included in column E of the schedule of remuneration ranges, and the name of the column should be changed to "parent and all investees".

c. Remuneration refers to the compensation or payment (including remuneration to employees, directors and supervisors) and business execution expenses of the president or vice president of the Company in their capacity as directors, supervisors or officers of an investee other than a subsidiary or parent company

＊ The remuneration disclosed here is different from the concept of income under the Income Tax Act, therefore, the purpose here is for information disclosure and not for tax return purposes.

Remuneration for the top five highest paid officers (names and remuneration are disclosed individually) (Note 1)

Job Title (Note)	Name	Salary (A) (Note 2)		Severance and pension (B)		Bonus and special allowance (C) (Note 3)		Profit-sharing remuneration for employees (D) (Note 4)				A, B, C and D as a % of the net profit after tax (%) (Note 8)		Remuneration from investees other than subsidiaries or parent company (Note 9)
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company		All companies in the financial statements (Note 5)		The Company	All companies in the financial statements (Note 6)	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chen-Wang Hsieh	2,322	2,322	92	92	1,822	1,822	43	0	43	0	9.06	9.06	None
Assistant VP	Ming-Yuan Chiu	1,332	1,332	83	83	381	381	43	0	43	0	3.90	3.90	None
Assistant VP	Huan Chang	1,030	1,030	63	63	321	321	43	0	43	0	3.09	3.09	None
Assistant VP	Hsin-An Lin	988	988	60	60	311	311	43	0	43	0	2.97	2.97	None
The determination criteria regarding whether the fifth officer is not a managerial officer.														

Note 1: The term "top five highest paid executives" refers to the managerial officers of the Company. The criteria for managerial officers are based on the scope of application of "managerial officers" as stipulated by the Securities and Futures Commission of the Ministry of Finance in its Order Tai-Cai-Sheng-San-Zi No. 0920001301 dated March 27, 2003. The "Top Five Highest Remuneration" calculation is based on the total amount of base salary, severance pay and pension, bonus and allowance received by the officers from all companies in the consolidated financial statements, as well as the amount of remuneration for employees (*i.e.*, the total of the four items A+B+C+D), and then ranked by the top five highest remuneration. If a director is also an officer referred above, this schedule and the above schedule (1-1) should also filled in.

Note 2: This is for the salary, duty allowance and severance pay of the top five highest paid officers in the most recent year.

Note 3: This is for various bonuses, incentive payments, transportation fee, special expenses, various stipends, dormitories, company cars and other provisions for the top five highest paid officers in the most recent year. The nature and cost of the assets provided, the actual or fair market value of rent, fuel and other payments should be disclosed when housing, automobiles and other means of transportation or personal expenditures are provided. In addition, if a driver is provided, please note the relevant compensation paid by the Company to the driver, but do not include it in the remuneration for directors. In addition, salary expense recognized under IFRS 2, "Share-based Payment," including the acquisition of employee stock options, new restricted employee stock, and participation in cash capital increase to subscribe for shares, should also be included in remuneration.

Note 4: The amount of employee remuneration (including stock and cash) received by the top five highest paid officers in the most recent year should be disclosed as approved by the Board of Directors, and if the amount cannot be estimated, the proposed payment amount for this year should be calculated in proportion to the actual payment amount most recent year, and should also be listed in Exhibit 1-3.

Note 5: The total amount of remuneration paid to the top five highest paid officers of the Company by all companies in the consolidated statements (including the Company) should be disclosed.

Note 6: The net profit after tax refer to the net profit after tax of the most recent year for parent company only or unconsolidated financial statements.

Note 7: a. This column should explicitly state whether the top five highest paid officers of the Company "have" or "have not" received remuneration from investees other than subsidiaries or parent company.

b. Remuneration refers to the compensation or payment (including profit-sharing remuneration to employees, directors and supervisors) and business execution expenses of the top five highest paid officers of the Company in their capacity as directors, supervisors or officers of an investee other than a subsidiary or parent company.

＊The remuneration disclosed here is different from the concept of income under the Income Tax Act, therefore, the purpose here is for information disclosure and not for tax return purposes.

4. Compare and describe the total remuneration paid to directors, supervisors, presidents, and vice presidents in the most recent 2 years by the Company and all companies in the consolidated financial statements as a % of the net profit after tax and explain the policies, standard, package, the procedures for determining remuneration and the correlation to operating performances and future risks.

Item	Total amount as a percentage of net profit after tax in the parent company only financial statements for 2021	
	The Company	All companies in the consolidated statements
Director (excluding those who are concurrently employees)	7.08%	(Note 4)
Supervisor	0.15%	
President (excluding concurrently as a director)	3.19%	

Item	Total amount as a percentage of net profit after tax in the parent company only financial statements for 2022	
	The Company	All companies in the consolidated statements
Director (excluding those who are concurrently employees)	11.45%	(Note 4)
Independent Director (Note 3)	2.15%	
President (not concurrently as an employee for the year)	9.06%	

Note 1. The policies, standard, package, the procedures for determining remuneration: the Company's operating performance for the current year and the level of remuneration for the last five years will be taken into account, with reference to the remuneration level of the industry.

2. Procedures for determining remuneration and the correlation to operating performance:

(1) Procedures for determining remuneration

The Remuneration Committee shall make the remuneration proposal to the Board of Directors for their consideration after deliberating and agreeing on the remuneration proposal in accordance with the Company's Articles of Incorporation and the Regulations Governing Remuneration for Directors and Managerial Officers, taking into account the operating performance disclosed in the financial statements for the year, the annual remuneration data for the most recent year, the remuneration level in the industry and the results of the Board of Directors' performance evaluation.

(2) The correlation between remuneration and operating performance:

The net revenue for 2022 decreased by 23% and the operating performance (net profit after tax) decreased by $96,130 thousand, or 67%, compared with 2021, as explained below:

A. Directors: The fixed remuneration increased slightly by $360 thousand in 2022 compared to 2021, mainly because there were 3 independent directors in 2022, compared to 2 independent directors before the Board of Directors was re-elected on August 25, 2021. The variable remuneration decreased by $3,944 thousand in 2022 due to the significant decrease in net profit after tax compared to 2021.

The remuneration was paid to directors after taking into account the relevant results of the performance evaluation of directors (main items: attendance/involvement in the Company's operations/net profit after tax for the year), and changes in fixed and variable remuneration as a percentage of net profit after tax, is shown in Table (3) below.

B. President: The difference between the fixed remuneration for 2022 and 2021 was not significant, but the variable remuneration decreased by $368 thousand with the significant decrease in net profit after tax in 2022 compared to 2021.

The remuneration was paid to the president after taking into account the relevant results of the performance evaluation of the president (main item: net profit after tax for the year), and changes in fixed and variable remuneration as a percentage of net profit after tax, is shown in Table (3) below.

In summary, the remuneration paid to the directors and president of the Company for the years 2022 and 2021 was highly correlated with the changes in operating performances, and the correlation between the remuneration and operating performances was reasonable.

(3) The fixed and variable remuneration for directors and president for the most recent two years were listed as follows:

Directors: (including independent directors/excluding remuneration for concurrent position as employee)

Unit: Thousands of NTD

Year	Net profit after tax	Fixed remuneration	Variable remuneration	Total	As a percentage of net profit after tax %
2022	47,219	4,339	2,444	6,783	14.36%
2021	143,349	3,979	6,388	10,367	7.23%

President (excluding remuneration for concurrent position as director) Unit: Thousands of NT

Year	Net profit after tax	Fixed remuneration	Variable remuneration	Total	As a percentage of net profit after tax %
2022	47,219	3,415	864	4,279	9.06%
2021	143,349	3,341	1,232	4,573	3.19%

3. On August 25, 2021, the Board of Directors was re-elected and the Audit Committee was established to replace supervisors in accordance with the law.
4. The Company did not have a vice president for the years 2019 ~ 2022.
5. The Company has had no subsidiaries since July 2014, and has not been required to prepare consolidated financial statements but only the parent company has prepared financial statements since 2016.

5. Names of the managerial officers to whom profit-sharing remuneration for employees were distributed and the distribution status (disclose individually)

Unit: Thousands of NTD, Year

	Job Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net profit after tax(%)
President	President	Chen-Wang Hsieh	0	43.5	174	0.37%
	Assistant VP	Ming-Yuan Chiu	0	43.5		
	Assistant VP	Huan Chang	0	43.5		
	Assistant VP	Hsin-An Lin	0	43.5		

Note 1: Individual names and jog titles should be disclosed, but the distribution of earnings should be disclosed in aggregate.

Note 2: The amount of employee remuneration (including stock and cash) received by managerial officers in the most recent year should be disclosed as approved by the Board of Directors, and if the amount cannot be estimated, the proposed payment amount for this year should be calculated in proportion to the actual payment amount most recent year. The net profit after tax refer to the net profit after tax of the most recent year; if IFRSs have been adopted, the net profit after tax refer to the net profit after tax of the most recent year for individual or parent company only financial statements.

Note 3: The scope of application of managerial officers, as stipulated in the Order Tai-Cai-Sheng-San-Zi No. 0920001301 dated March 27, 2003., is as follows.
(1) President and equivalent
(2) Vice president and equivalent
(3) Assistant VP and equivalent
(4) Officer of finance department
(5) Officer of finance department
(6) Officer of accounting department

Note 4: If the directors, president and vice president receive employee remuneration (including stock and cash), this schedule in addition to Schedule 1-2 should be filled in.

6. Correlation between performance evaluation and remuneration for directors and managerial officers.

The remuneration for the directors and managerial officers of the Company is determined in accordance with Article 23 of the Company's Articles of Incorporation [The Board of Directors is authorized to determine the remuneration of the directors by reference to the usual standards of the industry.], Article 24 [The Company may have a president and several vice presidents. The appointment and remuneration for the president and vice presidents shall be approved by a majority of the Board of Directors.], Article 26 [If the Company makes a profit in a year as concluded by the year-end account close, the Company shall set aside 2% as profit-sharing remuneration for employees and not more than 3% as profit-sharing remuneration for directors, which shall be distributed after a resolution of the Board of Directors.] and the "Regulations Governing the Payment of Salaries to Directors and Managerial Officers"

Independent Directors:
(1) Fixed remuneration: monthly salary and functional committee attendance fee.
(2) Variable remuneration: based on the performance of the Company's operations and the performance evaluation data of the Board of Directors and individual directors, a year-end consolation money is granted at the discretion of the Company. They do not participate in the 3% profit-sharing remuneration for directors under Article 26 of the Company's Articles of Incorporation. →The correlation between the variable remuneration and the operating performance is not material.

Regular Directors:
(1) Fixed remuneration: except for the President of the Board of Directors, no fixed remuneration is paid.
(2) Variable remuneration: based on the performance of the Company's operations and the performance evaluation data of the Board of Directors and individual directors, a year-end consolation money is granted at the discretion of the Company and they can participate in the distribution of 3% profit-sharing remuneration for directors under Article 26 of the Company's Articles of Incorporation. →Please refer to Note 4 above for the correlation between the variable remuneration and the operating performance.

Managerial Officers:

(1) Fixed remuneration: Monthly salary or other benefits.
(2) Variable remuneration: Year-end bonuses and profit-sharing remuneration for employees depending on the performance of the Company's operations and individual's contribution and annual performance appraisal.
→The correlation between variable remuneration and operating performance is as follows, in addition to Note 4 above:

Comparison of variable remuneration (year-end bonus + profit-sharing remuneration for employees) and operating performance (earnings per share) for the last two years.

2022			2021		
President	Amount (Thousands of NTD)	Earnings per share (NTD)	President	Amount (Thousands of NTD)	Earnings per share (NTD)
President Chen-Wang Hsieh Assistant VP Ming-Yuan Chiu Assistant VP Huan Chang Assistant VP Hsin-An Lin	1,924	0.48	President Chen-Wang Hsieh Assistant VP Ming-Yuan Chiu Assistant VP Huan Chang Assistant VP Hsin-An Lin	2,767	1.47

III. Operations of corporate governance

(I) Information on the operations of the Board of Directors

The Board of Directors met five times (A) in 2022, and the attendance of directors was as follows:

Job Title	Name (Note 1)	Number of attendance in person (B)	Number of attendance by proxy	Percentage of attendance in person [B/A] (Note 2)	Remark
President	Dasheng (Representative: Chung-Liang Pan)	5	0	100%	
Director	Dasheng (Representative: Yi-Sheng Tseng)	5	0	100%	
Director	Renhe (Representative: Hsiao-Chueh Hsieh)	5	0	100%	
Director	PROSPERITY DID (Representative: Kao-Huang Lin)	5	0	100%	
Independent Director	Chung-Yu Wang	5	0	100%	
Independent Director	Shu-Chin Liang	5	0	100%	
Independent Director	Wan-Chen Tseng	5	0	100%	

Other matters required to be recorded:

I. If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act. →**No such situation.**

(II) In addition to the previous matters, other Board meeting resolutions that have been opposed or reserved by independent directors with records or written statements:

→ Board meeting date: 2022.12.27

Proposal**:** 2023 budget.

Independent directors' opinion: 2023 budget is not in line with the expectation of the independent director Wan-Chen Tseng, who, therefore, expressed objection to the budget while the remaining two independent directors agreed to the proposal.

Resolution: After voting, with 5 votes in favor and 2 votes against, the proposal was passed as presented.

In favor: President Chung-Liang Pan, Director Yi-Sheng Tseng, Director Hsiao-Chueh Hsieh, Independent Director Chung-Yu Wang and Director Shu-Chin Liang

Against: Director Kao-Huang Lin, Independent Director Wan-Chen Tseng

The Company's handling of the independent directors' opinions: made public announcement of material information in accordance with the regulations.

II. In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal content, reason for recusal and his or her participation in voting should be stated:

(I) Board meeting date: 2022.2.25

Proposal: 2021 profit-sharing remuneration for directors and supervisors.

Name of directors who recused themselves due to conflict of interest: Chung-Liang Pan, Hsiao-Chueh Hsieh, Yi-Sheng Tseng, Kao-Huang Lin, a total of 4 persons.

Reason for recusal: this proposal involved a conflict of interest with the above-mentioned persons, so they should recuse themselves from participating in the discussion and voting on the proposal.

Implementation: in accordance with the Company's Regulations Governing the Payment of Salaries to Directors and Managerial Officers, profit-sharing remuneration is not applicable to independent directors.

Therefore, the meeting chair appointed Independent Director Chung-Yu Wang to act as the meeting chair for this proposal, and the independent directors would discuss and vote together.

Voting result: the proposal was approved.

(II) Board meeting date: 2022.12.27

Proposal: 2022 year-end consolation money for directors.

Name of directors who recused themselves due to conflict of interest: Chung-Liang Pan, Hsiao-Chueh Hsieh, Yi-Sheng Tseng, Kao-Huang Lin, a total of 4 persons.

Reason for recusal: this proposal involved a conflict of interest with the above-mentioned persons, so they should recuse themselves from participating in the discussion and voting on the proposal.

Implementation: the directors of the Company did not participate in the discussion and vote on the proposal and referred it to the independent directors present for approval.

Voting result: the proposal was approved.

Proposal: 2022 year-end consolation money for independent directors.

Name of the independent directors who recused themselves due to conflict of interest: Chung-Yu Wang, Shu-Chin Liang, Wan-Chen Tseng

Reason for recusal: this proposal involved a conflict of interest with the above-mentioned persons, so they should recuse themselves from participating in the discussion and voting on the proposal.

Implementation: the independent directors of the Company did not participate in the discussion and vote on the proposal and referred it to the other directors present for approval.

Voting result: the proposal was approved.

III. Listed companies should disclose information on the frequency and period, scope, method and content of the self-evaluation (or

peer evaluation) by the Board of Directors, and fill out Exhibit 2 on the implementation of the Board evaluation. **→ Refer to the following exhibit: Implementation of the Board evaluation** IV. Evaluation of the current and most recent year's objectives for enhancing the functions of the Board of Directors (*e.g.,* establishing an audit committee, enhancing information transparency) and their implementation. **→The Company established an Audit Committee in August 2021 to replace the supervisory system. The Audit Committee is composed of three independent directors with industry knowledge, accounting and financial analysis expertise. Since its establishment, the Audit Committee has held eight meetings and conducted two self-evaluation exercises, which were well implemented.**

Note 1: If any director or supervisor is a corporation, the names of the corporate shareholder and its representative should be disclosed.

Note 2: (1) If a director or supervisor vacates his or her position before the end of the year, the date of vacating the position should be indicated in the Remark column, and the percentage of attendance in person (%) should be calculated based on the number of meetings of the Board of Directors and the actual number of attendance in person during his or her employment.

(2) If directors or supervisors are re-elected before the end of the year, the new or existing directors or supervisors should be listed and whether the directors or supervisors are old, newly-elected or re-elected and the date of re-election should be should be indicated in the Remark column. The percentage of attendance in person (%) should be calculated based on the number of meetings of the Board of Directors and the actual number of attendance in person during his or her employment.

(II) Implementation of Board evaluation: "Including functional committees (Audit + Remuneration)".

Evaluation frequency (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation results	Evaluation content (Note 5)
Performed once a year	2022.01.01~ 2022.12.31	Individual Board member	Self-evaluation of directors	Total 23 questions, full score of 115, average score of 109.	A. Alignment of the Company's objectives and mission B. Perception of directors' responsibilities. C. The extent of participation in the Company's operations. D. Internal relationship management and communication. E. Professionalism and continuing education of directors. F. Internal control
		The Board of Directors as a whole	Internal self-evaluation of the Board	Total 45 questions, full score of 225, average score of 207.	A. The extent of participation in the Company's operations. B. Improvement in the quality of the Board's decision-making. C. Composition and structure of the Board. D. Election and continuing education of directors. E. Internal control
		Functional committees (Audit + Remuneration)	Self-evaluation of independent directors	Total 24 questions, full score of 120, average score of 113	A. The extent of participation in the Company's operations. B. Perception of functional committee's responsibilities. C. Improvement in the quality of the functional committee's decision-making. D. Composition and appointment of functional committee members. E. Internal control
Supplementary notes on the evaluation method: 1. On 2022.12.27, the Board of Directors resolved to conduct a self-evaluation questionnaire, which was sent to all directors by mail on 2022.1.13. On 2.7, the statistical results were collected and the evaluation results were reported at the 2023.2.23 Board meeting. 2. The meeting administration unit provided information on the Board of Directions for 2022 for the reference of all directors. The main items were: summary of meeting information, number of meetings and attendance of each director, director's continuing education, correlation between directors' and managerial officers' remuneration and operating performance [statistics of changes in remuneration for the most recent year], directors' recusal due to conflict of interest, communication with CPAs & evaluation of CPAs' independence and competency.					

Note 1: The frequency of execution of the Board of Directors' evaluation, *e.g.,* once a year.

Note 2: The period covered by the Board of Directors' evaluation, *e.g.,* the evaluation of the Board of Directors' performance from January 1, 2019 to December 31, 2019.

Note 3: The evaluation scope includes the performance evaluation of the Board of Directors, individual Board members and functional committees.

Note 4: The evaluation method includes internal self-evaluation by the Board of Directors, self-evaluation by Board members, peer evaluation, appointment of external professional organizations, experts or other appropriate methods for performance evaluation.

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

(1) Performance evaluation of the Board of Directors: At least the extent of participation in the Company's operations, the quality of the Board's decision-making, the composition and structure of the Board, election and continuing education of directors, and internal control, etc.

(2) Performance evaluation of individual Board members: at least including the alignment of the Company's objectives and mission, perception of directors' responsibilities, the extend of participation in the Company's operations, internal relationship management and communication, the professionalism and continuing education of directors, and internal control, etc.

(3) Performance evaluation of functional committees: the extent of participation in the Company's operations, perception of functional committee's responsibilities, quality of the functional committee's decision-making, composition and appointment of functional committee members, internal control, etc.

(III) **Information on the operations of the Audit Committee**

For the most recent year (2022.1.1~2022.12.31), the Audit Committee met five times (A) and the attendance of independent directors was as follows:

Job Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Percentage of attendance in person (%) (B/A) (Note)	Remark
Independent Director	Shu-Chin Liang	5	0	100%	Convener
Independent Director	Chung-Yu Wang	5	0	100%	
Independent Director	Wan-Chen Tseng	5	0	100%	

Other matters required to be recorded:

I. If the operations of the Audit Committee is under any of the following circumstances, the date, period, proposal content, the content of the objections, reservations or major recommendations of the independent directors, resolution of the Audit Committee and the Company's handling of the Audit Committee's opinions should be described:

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

Board of Directors Date	Proposal	Board of Directors Resolution	Audit Committee Resolution
2022.02.25 (5th meeting of the 18 term)	Discussion: 1. The Company's 2021 business report and financial statements. 2. The Company's 2021 earnings distribution proposal. 3. Issuance of the Company's "Statement of Internal Control System" for 2021. 4. Ratification of the change in the custodian of the Company's seal for endorsement and guarantee.	Approved by all directors present.	2022.02.25 At the 3rd meeting of the 1st term, approved by all the committee members present.
2022.05.06 (6th meeting of the 18 term)	Discussion: 1. The Company's financial statements for 1Q2022 2. The appointment and compensation for the Company's attesting CPAs for 2022.	Approved by all directors present.	2022.05.06 At the 4th meeting of the 1st term, approved by all the committee members present.
2022.08.05 (7th meeting of the 18 term)	Discussion: 1. The Company's financial statements for 2Q2022 2. Appointment of the Corporate Governance Officer	The 1st proposal was approved by all directors present. All directors agreed to approve the 2nd proposal, except for Director Kao-Huang Lin, who had reservations.	2022.08.05 At the 5th meeting of the 1st term, approved by all the committee members present.
2022.11.04 (8th meeting of the 18 term)	Discussion: 1. The Company's financial statements for 3Q2022 were presented for discussion.	Approved by all directors present.	2022.11.04 At the 6th meeting of the 1st term, approved by all the committee members present.
2022.12.17 (9th meeting of the 18 term)	Discussion: 1. 2023 audit plan. 2. Amendments to the Company's "Procedures for Preventing Insider Trading and Handling of Material Inside Information".	Approved by all directors present.	2022.12.27 At the 7th meeting of the 1st term, approved by all the committee members present.

The Company's handling of the Audit Committee's opinions: All were implemented in accordance with the Board of Directors' resolutions.

(II) Except for the preceding matters, other matters not approved by the Audit Committee and approved by two-thirds or more of al directors.

→No such situation.

II. In the implementation of an independent director's recusal for being an interested party in a proposal, the independent director's name, the proposal content, reason for recusal and his or her participation in voting should be stated.

→None of the above situations.

III. Communication between independent directors, internal audit officer and CPAs (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included).

Summary of communication between independent directors and CPAs in 2022:

Date	Attendee	Communication method	Communication matters	Communication status and results
2022.8.5	Independent Director Chung-Yu Wang Shu-Chin Liang Wan-Chen Tseng CPA Po-Shu Huang Audit Officer Ching-Chia He (No regular directors and management present)	Audit Committee (pre-meeting)	What is the general contact window for CPAs to audit and review information? Is the Corporate Governance Officer included?	CPAs' explanation: The main contact window for audits is the Finance and Accounting Department. The Corporate Governance Officer is primarily responsible for the Board operations and related communications, so basically the contact window for audits does not include the Corporate Governance Officer.
			Communication of key audit matters for 2023 by CPAs	CPAs' explanation: we will communicate with the independent directors again at the end of this year to assess the key audit matters for the new year.
			AQI (Audit Quality Indicator) evaluation issues	1. CPAs explained the current AQI evaluation structure and indicators to the independent directors. **2.** CPAs will provide the relevant AQI for reference in the future to assist the Board of Directors and the Audit Committee in determining the appointment of CPAs in accordance with their authorities.
			Did the Company's personnel and management cooperate or conceal anything in the CPA audit process?	CPAs' explanation: A review was conducted in the second quarter, and all relevant audited units and personnel cooperated fully during the process.
			Was the audit of related party transactions clear?	CPAs' explanation: we have included related party transactions as a key audit matter in response to the request of the independent directors, and conducted the audit in accordance with the relevant IFRSs and the audit report was disclosed in last year's Annual Report.

Summary of communication between independent directors and Internal Audit Officer in 2022:

Date	Attendee	Communication method	Communication matters	Communication status and results
2022.8.5	Independent Director Chung-Yu Wang Shu-Chin Liang Wan-Chen Tseng Audit Officer Ching-Chia He (No regular directors and management present)	Audit Committee (pre-meeting)	Audit report and results for January~June 2022	The independent directors had no objection to the content of the audit report for the period.
			Implementation of the audit work	1. The independent directors proposed to strengthen the enforcement of the Company's internal control system and amendments to related management regulations to comply with the law. 2. Implementation: the Audit Office regularly reviews the Company's internal regulations and rules.
			Frequency, timing and scope of audits of related party transactions.	The independent directors had no objections to the communication matters.

Note 1: If an independent director vacates his or her position before the end of the year, the date of vacating the position should be indicated in the Remark column, and the percentage of attendance in person (%) should be calculated based on the number of meetings of the Audit Committee and the number of attendance in person during his or her employment.

Note 2: If independent directors are re-elected before the end of the year, the new or existing independent directors should be listed and whether the independent directors are old, newly-elected or re-elected and the date of re-election should be should be indicated in the Remark column. The percentage of attendance in person (%) should be calculated based on the number of meetings of the Audit Committe and the actual number of attendance in person during his or her employment.

(IV) **Supervisors' participation in the operations of the Board of Directors:**

On August 25, 2021, the Company established the Audit Committee to replace the supervisory system.

(V) **The operations of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.**

Evaluation item	The state of operations (Note)			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary description	
I. Has the Company formulated and disclosed its corporate governance practice best principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?	V		The Corporate Governance Best Practice Principles were established in August 2015, and the most recent amendments to some of the provisions were made on the meeting of Board of Directors on September 29, 2021, and is available on the Market Observation Post System and the Company's official website.	No differences yet.
II. The Company's ownership structure and shareholders' equity				
(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?	V		The Company has established the regulations governing the operations of stock affairs, and shareholders' responses can be handled and replied through the professional stock affairs agency (CAPITAL SECURITIES CORP.), the spokesperson system and the Company's website.	No differences yet.
(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	V		The total shareholding of the directors including Dasheng International, Renhe International, and PROSPERITY DID ENTERPRISE, was 31.40%, and all the major shareholders (or ultimate controllers) of the above corporate directors were directors of the Company.	No differences yet.
(III) Has the Company established and implemented risk control and firewall mechanisms between affiliates?	V		The Company has established procedures for related party transactions, acquisition and disposal of assets, lending of funds to others, and endorsement and guarantee to control risks.	No differences yet.
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	V		The Company has established procedures for the preventing insider trading and handling of material inside information to prohibit insiders from trading marketable securities using non-public information in the market.	No differences yet.
III. Composition and responsibilities of the Board of Directors				
(I) Has the Board of Directors formulated and implemented a diversity policy on membership?	V		The members of the Board of Directors have professional backgrounds in various fields. Two of the three female directors of the Board of Directors in this term have expertise in finance and accounting, and two have expertise in law, while the rest have extensive experience in industrial operations.	No differences yet.
(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees?		V	The company currently has a Remuneration Committee and an Audit Committee and there is no plan to establish other functional committees.	The differences would be listed as the improvement plan.
(III) If the Company has formulated Rules for Performance Evaluation of Board of Directors, conducts performance evaluations annually and regularly, and reports the results of performance evaluations to the Board of Directors, and uses them as a reference for individual directors' remuneration and nomination for reappointment?	V		The Rules for Performance Evaluation of Board of Directors were established in May 2020, and the evaluation will be conducted annually in December for the Board of Directors and reported to the Board of Directors in the first quarter of the following year. The evaluation method for 2022 was approved by the Board of Directors on December 27, 2022 to adopt the self-evaluation method and the evaluation results were reported to the Board of Directors on February 23, 2023. In addition, the results of the performance evaluation will be used as a reference for individual director's remuneration and nomination for reappointment.	No differences yet.
(IV) (IV) Does the Company regularly evaluate the independence of attesting CPAs?	V		The Company evaluated the independence and competency of the attesting CPAs from KPMG (Po-Shu Huang and Chung-Shun Wu) in November 2022 and reported to the Board of Directors on November 4, 2022. The evaluation method was as follows: (1) Each of the five factors that may affect the independence of CPAs, "self-interest, self-evaluation, defense, familiarity, and coercion", were evaluated item-by-item and the independence requirements were met. (2) The evaluation result of each of the six possible matters affecting the independence of CPAs and the description of "financial interest matters, financing and guarantees, close business relationships with the audit client, being employed by or serving a position for the audit client, non-audit business matters, and other matters" indicated the independence requirements were met. (3) Review of the Statement of Independence issued by CPAs. (4) The basic information on the website of the CPA Association R.O.C. shows that the competency requirements were met.	No differences yet.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">The state of operations (Note)</th><th rowspan="2">The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>IV. Does the Company as a listed enterprise have suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting Board meeting and shareholders' meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of Board meetings and shareholders' meetings, etc.)?</td><td>V</td><td></td><td>On August 5, 2022, the Board of Directors approved the establishment of the role of the corporate governance officer, which is concurrently filled by the Assistant VP of the Administration Division, Ming-Yuan Chiu, who has 23 years of experience as financial, accounting and stock affairs leaders in public companies.
Scope of authorities:
I. Administrate the Board of Directors’ meetings and shareholders' meetings in accordance with the law.
II. Prepare the minutes of the Board of Directors' meetings and shareholders' meetings.
III. Assist directors and supervisors in their appointment and continuing education.
IV. Provide information necessary for directors and supervisors to carry out their business
V. Assist directors and supervisors in complying with laws and regulations.
VI. Other matters in accordance with the Articles of Incorporation or contracts.
Continuing education:
The Corporate Governance Officer (Ming-Yuan Chiu) attended the following courses organized by the Securities and Futures Institute in 2022:
<table><tr><th>Date</th><th>Course name</th><th>Hours</th></tr><tr><td>9/27</td><td>Legal issues that should be noted by directors and supervisors of public companies</td><td>3</td></tr><tr><td>9/27</td><td>How directors and supervisors of listed companies perform their duties</td><td>3</td></tr><tr><td>9/28</td><td>Techniques for directors and supervisors in interpreting financial information.</td><td>3</td></tr><tr><td>9/28</td><td>Corporate governance and the operations of the Board of Directors</td><td>3</td></tr><tr><td>11/18</td><td>Circular economy benefits and its business model</td><td>3</td></tr><tr><td>11/18</td><td>Early warning and typographical analysis of corporate financial crises</td><td>3</td></tr></table></td><td>No differences yet.</td></tr>
<tr><td>V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?</td><td>V</td><td></td><td>1. The spokesperson system has been established to handle related matters.
2. The Company's website has a stakeholder area. The identity, issues of concern, communication channels and response methods for stakeholders identified in 2022 have been disclosed in the stakeholder area on the Company's website (URL: www.chihlien.com.tw).</td><td>No differences yet.</td></tr>
<tr><td>VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholders' meetings?</td><td>V</td><td></td><td>The professional stock affairs service agency: CAPITAL SECURITIES CORP.</td><td>No differences yet.</td></tr>
<tr><td>VII. Disclosure of information
(I) Has the Company set up a website to disclose finance and business matters and corporate governance information?
(II) Is there any other means for disclosures (like the installation of an English website, appointment of designated personnel to collect and disclose related information on the Company, proper performance of the spokesperson system, and upload the procedure of investors conference to the website)?
(III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?</td><td>V
V
V</td><td></td><td>The Company set up a website to disclose finance and business matters and corporate governance information. (URL: http://www.chihlien.com.tw)
The Company has set up a website to disclose various information, and the financial information is updated by designated personnel in the Finance Department on a regular basis and disclosed on the Company's website and the Market Observation Post System. The contact information of the spokesperson and the acting spokespersons are clearly disclosed on the Company's website. The presentation documents and related information of earnings calls are also available on the Company's website.
1. The 2022 annual financial statements were approved by the Board of Directors on 2023/2/23 and uploaded to the Market Observation Post System, and the announcement and filing were made on the same day.
2. The financial statements for the first three quarters of 2022 and the operating information for each month were announced and filed earlier than the deadline.</td><td>No differences yet.
No differences yet.
No differences yet.</td></tr>
</table>

VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, Implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		1. The Company's website has been set up in November, 2015, with six areas for stakeholders (employees, investors, customers, suppliers). 2. Directors' continuing education: see page 50 of this Annual Report. 3. Implementation of risk management policies and risk measurement standards: see pages 96 to 100 of this Annual Report. 4. Implementation of customer policies: the customer credit risk policies are described on pages 96 to 100 of this Annual Report. 5. Purchase of liability insurance for directors and managerial officers: the amount of liability insurance for directors and managerial officers in 2022 was NTD1.5 billion, and the vendor: AIG Asia Pacific Insurance Pte. Ltd. (AIG Asia Pacific Insuance Pte. Ltd., Taiwan Branch)	No differences yet.
IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved: (Not required for companies not included in the evaluation) Description: The self-evaluation result of the Company's most recent annual corporate governance (2022) was 59.37 of score, among which the item that needed to be improved with relatively low score was the promotion of sustainable development (formerly: enforcement of corporate social responsibility), and the Company will continue to make improvements in this area step-by-step.				

Note: The state of operations, no matter if "Yes" or "No" are checked, should be stated in summary description.

(VI) **Composition, responsibilities and operations of the Remuneration Committee:**

(1) Information on the members of the Remuneration Committee

Criteria / Name	Professional qualification and experience (Note 2)	Status of independence (Note 3)	Number of other public companies in which the individual is concurrently serving as a remuneration committee member	Remark (Note 1)
Chung-Yu Wang (Independent Director)	Department of Chemical Engineering, Chung Yuan University / President of China Steel / Independent Director of CTBC Bank & Global Wafers Co., Ltd / Legislator of the 5th Term	None of the individual, its spouse or relatives within 2nd degree of kinship are directors, supervisors or employees of the Company or its affiliates or companies with which the Company has specific relationships, nor hold any shares of the Company. The individual has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years.	1	(Convener) Please refer to pages 11~12 of this Annual Report for more information on directors.
Shu-Chin Liang (Independent Director)	Master of Business Administration, National Taiwan University of Science and Technology / Supervisor of SOUTH CHINA INSURANCE CO., LTD. / Manager of Consumer Credit Management Department, Hua Nan Commercial Bank / Independent Director of Enliven Therapeutics, Inc.	None of the individual, its spouse or relatives within 2nd degree of kinship are directors, supervisors or employees of the Company or its affiliates or companies with which the Company has specific relationships, nor hold any shares of the Company. The individual has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years.	1	Please refer to pages 11~12 of this Annual Report for more information on directors.
Wan-Chen Tseng (Independent Director)	Master of Graduate School of Law, National Taiwan University / Judge Assistant, Pingtung District Court / Director of Ministry of Education / Practicing Attorney	None of the individual, its spouse or relatives within 2nd degree of kinship are directors, supervisors or employees of the Company or its affiliates or companies with which the Company has specific relationships, nor hold any shares of the Company. The individual has not provided business, legal, financial, or accounting services to the Company or its affiliates in the last two years.	0	Please refer to pages 11~12 of this Annual Report for more information on directors.

Note 1: Specify the relevant years of service, professional qualification and experience, and independence of each member of the Remuneration Committee in the table. For independent director, please make a note to refer to the relevant contents of Exhibit 1, Information on Directors and Supervisors (I) on page OO. Please enter either independent director or other for position (for the convener, please add a note).

Note 2: **Professional qualification and experience**: specify the professional qualification and experience of each member of the Remuneration Committee

Note 3: **Status of independence**: Describe the status of independence for the members of the Remuneration Committee, including but not limited to whether they, their spouses or relatives within second degree of kinship, are directors, supervisors or employees of the Company or its affiliates; the number and percentage of shares held by them (or in the name of others); whether they are directors of companies with specific relationships with the Company (refer to Subparagraphs 5~8, Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange). The amount of remuneration received from the Company or its affiliates for business, legal, financial and accounting services in the most recent two years.

Note 4: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(2) Information on the operations of the Remuneration Committee

I. The Remuneration Committee of the Company consists of 3 members.

II. The term of office of the Remuneration Committee members for the current term (the fifth term) is from August 25, 2021 to August 24, 2024, and the Remuneration Committee met three times (A) in 2022. The attendance of the committee members was as follows:

Job Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Percentage of attendance in person (%) (B/A) (Note)	Remark (Re-elected on 2021.8.25)
Committee member/convener/independent director	Chung-Yu Wang	3	0	100%	
Committee member/independent director	Shu-Chin Liang	3	0	100%	
Committee member/independent director	Wan-Chen Tseng	3	0	100%	

Other matters required to be recorded:

I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it should state the date, period, proposal content, resolution of the Board, and its handling of the committee's opinions (if the remuneration approved by the Board is better than the recommendation proposed by the committee, the difference and reasons should be stated): → **No such situation. All proposals made by the Remuneration Committee were adopted by the Board of Directors.**

II. For the proposals by the Remuneration Committee. If any members have objections or reservations with records or written statements, the date, period, proposal content, the opinions of all members, its handling of the members' opinions should be stated: →**No such situation. All members of the Remuneration unanimously approved the proposals, and there was no record or statement expressing any objections or reservations.**

Note : (1) If a Remuneration Committee member or vacates his or her position before the end of the year, the date of vacating the position should be indicated in the Remark column, and the percentage of attendance in person (%) should be calculated based on the number of meetings of the Remuneration Committee and the number of attendance in person during his or her employment.

(2) If the Remuneration Committee members are re-elected before the end of the year, the new or existing committee members should be listed and whether the committee members are old, newly-elected or re-elected and the date of re-election should be should be indicated in the Remark column. The percentage of attendance in person (%) should be calculated based on the number of meetings of the Remuneration Committee and the actual number of attendance in person during his or her employment.

Performance of the Remuneration Committee in 2022:

Board meeting date (term/meeting session)	Proposal	Resolution of the Board meeting	The Company's handling of the Remuneration Committee's opinions
2022.02.25 (5th meeting of the 18 term)	1. The Company's profit-sharing remuneration for employees for 2021. 2. The Company's profit-sharing remuneration for directors and supervisors for 2021.	Approved by all directors present.	Implemented in accordance with the resolution of the Board meeting
2022.08.05 (7th meeting of the 18 term)	1. Salary adjustment for managerial officers for 2022	Approved by all directors present.	Implemented in accordance with the resolution of the Board meeting
2022.12.27 (9th meeting of the 18 term)	1. The Company's 2022 year-end consolation money for directors. 2. Year-end bonus for managerial officers. 3. Performance evaluations of the Board of Directors and the functional committees for 2022	Approved by all directors present.	Implemented in accordance with the resolution of the Board meeting

(VII) Implementation status of the promotion of sustainable development, the differences from the Sustainable Development Best Practice Principles for TWSE/TPEx listed Companies and the reasons therefor:

Promotion item	Implementation status (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary description (Note 2)	
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the supervision situation of the Board of Directors?	V		The Company has established the Corporate Social Responsibility Best Practice Principles and appointed the Administration Department as a part-time unit to promote CSR, and report the implementation status regularly in the Board of Directors' meeting in December each year. In addition, the Corporate Social Responsibility Best Practice Principles are expected to change name in 2023 to the Sustainable Development Best Practice Principles as promulgated by law.	No differences yet.
II. Does the Company, in accordance with the principle of materiality, conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations, and formulate relevant risk management policies or strategies." (Note 2)		V	The Company has internally discussed the relevant issues listed on the left, but has not yet formulated relevant risk management policies or strategies.	The differences would be listed as the improvement plan.
III. Environmental issues (I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	V		The Company maintains appropriate environmental quality by setting up pollution prevention equipment in accordance with environmental laws and regulations. The Company's plants are nice and beautiful, and the Administration Department (General Affairs) is solely responsible for the maintenance and landscaping of the Company's plant environment.	No differences yet.
(II) Is the Company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment?	V		The Company has obtained ISO50001 (energy management) and ISO14001 (environmental management) certifications on 11.1 and 11.4 in 2022, respectively. The Company entrusts the transportation, treatment and recycling of industrial waste to a legal vendor, and uses sand blasting and automatic pickling equipment to significantly reduce the impact on the environment.	No differences yet.
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take countermeasures to respond to climate related issues?	V		In October 2022, the Company contracted with a consulting firm (advanced management company) to provide consulting services for ISO 14064 (greenhouse gas inventory and verification). We evaluated the potential risks and opportunities of carbon emission issues to the Company now and in the future, and expect to complete the greenhouse gas inventory in October 2023.	No differences yet.
(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?		V	1. Please refer to the following table for the total weight of greenhouse gas emissions, water consumption and waste for the last two years 2. Greenhouse gas reduction, water use reduction or other waste management policies have not been developed.	The differences would be listed as the improvement plan.
IV. Social issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?		V	The company has not yet formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	The differences would be listed as the improvement plan.
(II) Whether or not the Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?	V		The Company has established and implemented reasonable employee benefit measures (please refer to pages 42 and 49~50 of this Annual Report for details), and appropriately reflected the operating performance results in remuneration for employees	No differences yet.
(III) Does the Company provide employees with a safe and healthy working environment, and related education? (IV) Has the Company established an effective career development training program for employees? (V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy,	V V		1. Monthly filing of occupational disaster statistics. 2. Passed the annual building public safety filing 3. Organize a safety and health education and training program in December each year. 4. Arrange annual employee health checkups to ensure the health of employees. For abnormalities found at the health checkups, the plant nurses will conduct interviews, provide advice, follow up, and make a record for future reference. 5. Production and guest visit moving lines are clearly marked, and plant workers wear safety shoes and helmets. 6. In case of major incidents, we will notify the competent authorities and convene an interim safety and health committee meeting to review, improve, implement, confirm the effect and prevent recurrence 7. For supplementary notes on employees' safety and health,	No differences yet.

Promotion item	Implementation status (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary description (Note 2)	
marketing and labeling of products and services, and establish relevant customer rights protection policies and complaint procedures?	V		please refer to the 2nd description of VII below The Company appoints a business management consulting firm to conduct education and training programs for the training of employees to enhance the capability of the talent pipeline. We are an upstream processing vendor in the steel industry, and each batch of products has a lot number with traceability. Although we do not produce the final product, we still have a company website and contact mechanism to provide the downstream customers with perfect service quality and complaint procedures.	No differences yet. No differences yet.
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?		V	The Company has not yet established a supplier management policy, but all of its domestic and foreign raw materials suppliers are well-known international companies (*e.g.*, China Steel, which accounts for more than half of the Company's purchases), and they are all exemplary in the issues listed on the left.	The differences would be listed as the improvement plan.
V. Does the Company make reference to international reporting standards or guidelines to prepare corporate social responsibility or other reports that disclose non-financial information about the Company? Has the confirmation or assurance opinion from third-party certifying institutions been obtained for the reports of the preceding paragraph?		V	The Company has not yet prepared its sustainability report.	The differences would be listed as the improvement plan.

If the Company has related practice principles of its own in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please state the differences between the two and the state of implementation: The company has formulated a code of corporate social responsibility, the content of which is not much different from the " Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."

VI. Other important information that is helpful to understand the implementation of corporate social responsibility:

1. Total weight of greenhouse gas emissions, water consumption and waste for the last two years

Item	2022	2021	Remark (all plants)
Greenhouse gas (tons).			
Scope 1 (direct emissions)	No statistics yet	No statistics yet	
Scope 2 (indirect emissions)	3,959	4,652	Carbon Dioxide (electricity)
Scope 3 (other indirect emissions)	No statistics yet	No statistics yet	
Water consumption (tons)			
Tap water	4,540	5,488	
Underground water	213,842	202,465	
Waste (tons)			
Hazardous	769	1,081	Waste acid
Non-hazardous	175	204	Domestic waste, waste plastics, waste wood, iron powder process sludge, waste water sludge, waste lubricating oil

2. Supplementary notes on employees' safety and health

Occupational Safety and Health Policy

The Company is in the metal processing industry, mainly producing steel bars, steel wires, annealed materials, and spheroidized wires, etc. We have formulated and implemented an occupational safety and health management system for each production process and activity according to the nature of work and the regulations related to occupational safety and health. In order to build an organizational safety culture, promote self-management, and strengthen audit and inspection, we take employee safety and health as the top priority, do our best for hazard prevention and management, and pursue sustainable corporate development. All employees are committed to the goal of pursuing "precious health, genuine safety, and zero disaster."

(1) Comply with occupational safety laws and regulations, implement safety discipline, and cherish the lives of workers
(2) Provide a safe environment, maintain employee health, and prevent potential hazards
(3) Strengthen education and training, promote self-management, and enhance safety awareness
(4) Implement workplace discipline, motivate employees to participate, and continuously review and improve
(5) Pay attention to on-site safety and health, fulfill social responsibility, and create a win-win situation for both employers and employees

Workplace environment monitoring

Provide a safe and healthy working environment for laborers, appoint a monitoring organization regularly to perform noise-related environmental monitoring according to regulations, and establish various material safety data sheets to protect laborers from operational hazards.

Safety and health audit

The Company has a Safety and Health Committee, which is responsible for formulating, promoting, supervising, and implementing safety and health issues, with the plant manager as the President. The Safety and Health Committee will be convened quarterly to review the deficiencies, formulate various work plans and discuss specific improvement situations, which will be recorded in the meeting minutes.

Audit operations of the Safety and Health Office	
Safety and Health Committee	Quarterly, with additional interim meetings as appropriate
Safety and Health Committee Patrol Team	Once a month, with the patrol record forms archived
Safety and health operations leader work-around management	More than once a day
On-site leader walk-around management	More than once a week by level 1 leaders

Promotion item	Implementation status (Note 1)			The differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary description (Note 2)	

	More than twice a week by level 2 leaders
In-plant construction safety patrol	More than once a day, with record forms archived

Equipment safety management

The Company regulates dangerous machinery and equipment in accordance with the law and conducts regular inspections in accordance with the "Safety Inspection Rules for Dangerous Machinery and Equipment" to ensure the safety of equipment use.

Dangerous machinery	
Stationary cranes	Monthly (daily) inspection form
Specific equipment with high pressure gas	
Low-temperature liquid nitrogen	Monthly (daily) inspection form
Liquefied petroleum gas	Monthly (daily) inspection form
Gas boiler	Monthly (daily) inspection form
Type-2 pressure vessel	
Air pressure storage tank	Annual inspection on the appearance of the components
Vehicle machinery	
Forklift	Monthly (daily) inspection form

The Company's occupational safety performance in the past three years - employee disability injury statistics

Year	Fatal incidents	Disabling incidents
2022	Male: 0 Female: 0	Male: 2 Female: 0
2021	Male: 0 Female: 0	Male: 0 Female: 0
2020	Male: 0 Female: 0	Male: 2 Female: 0

The Company's occupational safety education and training and promotion in the last three years

Year	Number of trainees	Number of training hours
2022	54 people	1,172 hours
2021	84 people	676 hours
2020	78 people	1,823 hours

The Company's health care services in the last three years

Year	Registered nurse on-site service hours	Medical doctor on-site service hours
2022	96 hours	8 hours + 1 hour of lecture
2021	96 hours	8 hours + 2 hours of lecture
2020	96 hours	8 hours

3. The Company regularly sponsors community patrol teams and senior citizens' associations in the Company's local communities, and generously donates to charitable organizations in case of major domestic or international disasters.
4. In order to fulfill our corporate social responsibility, and in response to the government's efforts to develop the green energy industry, protect the earth, cherish resources, and reduce CO2 emissions, the Company leases out the roof of its factory and cooperates with the following companies to build solar power plants.
   (1) In April 2017, the Company cooperated with Chunghwa Telecom and Kingstone Energy Technology Corporation to build a 499.2KW power plant, which is equivalent to reducing 381 tons of CO2 emissions per year and planting 31,450 trees, contributing to green energy and environmental protection.
   CHIH LIEN's solar power project VCR: https://www.youtube.com/watch?v=rdiTtODdl6E
   (2) November 2022: Signed a contract with FENG HSIN STEEL CO., LTD. to build a solar power plant with a capacity of 1,840 KW, which is expected to be completed and start generating electricity in April 2023.
5. In order to completely stop possible environmental pollution, the Company invested over $100 million from 2018 to 2019 to build two new sets of reciprocating fully automatic pickling equipment to replace the traditional manual pickling equipment, in order to fulfill its corporate social responsibility.

Note 1: if "Yes" is checked for the state of the operations, please describe the important policies, strategies, and measures adopted and their implementation; if "No" is checked, please explain the reasons and the relevant policies, strategies and implementation in the future.

Note 2: where the Company has prepared a corporate social responsibility report, the state of the operations may be specified by way of a reference to the corporate social responsibility report and the index page.

Note 3: the materiality principle applies to those environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(VIII) **Here of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor:**

Item	The state of operations (Note 1)			The differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor.
	Yes	No	Summary description	
I. Formulation of ethical corporate management policy and plan				
(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?		V	The Company has established the Ethical Corporate Management Best Practice Principles, but has not yet expressed its policy of ethical corporate management in its external documents.	The differences would be listed as the improvement plan.
(II) If the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?"		V	The Company did not establish the mechanism or adopt preventive measures in 2022. However, on February 23, 2023, the "Procedures for Ethical Management and Guidelines for Conduct" were established.	The differences would be listed as the improvement plan.
(III) If the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it?		V	The Company did not establish the mechanism or implement preventive measures in 2022. However, on February 23, 2023, the "Procedures for Ethical Management and Guidelines for Conduct" were established.	The differences would be listed as the improvement plan.
II. Enforcement of ethical corporate management				
(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?		V	The Company's contracts with counterparties do not contain an expressed provision on ethical management.	The differences would be listed as the improvement plan.
(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?	V		The Company has designated the Audit Office as the solely responsible unit to report the implementation status to the Board of Directors on a regular basis in December of each year.	No differences yet.
(III) Does the Company have a policy to prevent conflict of interest, provide appropriate channels for explanation, and implement it?	V		The Company has established the Ethical Corporate Management Best Practice Principles with the procedures and expression channels listed on the left:	No differences yet.
(IV) If the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?	V		The Company has established an effective accounting system and internal control system, and the internal audit unit shall prepare audit plans based on the assessment of the risks of unethical conduct.	No differences yet.
(V) Does the Company regularly organize internal and external education and training on ethical corporate management?		V	Not been organized regularly	The differences would be listed as the improvement plan.
III. Operations of the Company's whistleblower reporting system				
(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?	V		The Company has established the Ethical Corporate Management Best Practice Principles with the procedures listed on the left: No whistleblower reports were received in 2022.	No differences yet.
(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?	V		The Company has established the Ethical Corporate Management Best Practice Principles with the procedures listed on the left:	No differences yet.
(III) Whether or not the Company takes measures to protect whistleblowers from being improperly handled due to reporting?	V		The Company has established the Ethical Corporate Management Best Practice Principles with the procedures listed on the left:	No differences yet.
IV. Enhancement of information disclosure Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System?	V		The Company has disclosed the content and implementation status of its Ethical Corporate Management Principles on its website and the Market Observation Post System.	No differences yet.
V. If the Company has related practice principles of its own in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please state the differences between the two and the state of implementation: no significant difference.				
VI. Other important information that is helpful to understand the implementation of ethical corporate management: please refer to the Company's website (www.idealbike.com.tw) for the contents of the Company's Ethical Corporate Management Principles. The Company established the "Ethical Corporate Management Best Practice Principles" on November 6, 2014, and the Board of Directors subsequently approved the amendments to some of the provisions on March 15, 2016, September 29, 2021 and February 23, 2023, respectively. On February 23, 2023, the Company established the "Procedures for Ethical Management and Guidelines for Conduct."				

Note 1: The state of operations, no matter if "Yes" or "No" are checked, should be stated in summary description.

(IX) **If the Company has formulated the Corporate Governance Practice Principles and related rules, it shall disclose its inquiry methods:**

1. The Company's website (http://www.chihlien.com.tw)/Corporate Governance/Other Important Information.
2. Market Observation Post System (http://mops.twse.com.tw)/Corporate Governance/Regulations on Corporate Governance.

(X) **Other important information for understanding of the operations of corporate governance may be disclosed: none.**

(XI) **Implementation status of internal control system.**

1. Statement of Internal Control

CHIH LIEN INDUSTRIAL CO., LTD.
Statement of Internal Control System
(This Statement is made in compliance with all applicable laws and regulations)

Date: February 23, 2023

The Company states the following for its 2022 internal control system based on the results of self-evaluation:

I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.

II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of internal control system adopted in the "Regulations” are based on the process of managerial control and divide internal control systems into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.

IV. The Company has adopted the aforementioned criteria of internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system was effective as of December 31, 2022 (including the supervision and management of subsidiaries), with a understanding of the extent to which the objectives of effectiveness and efficiency of operations were achieved, whether or not the reporting was reliable, timely, transparent, and if the compliance with relevant rulings, laws and regulations is met, and a reasonable assurance of the achievement of these objectives.

VI. This Statement will become the main content of the Company's Annual Report and prospectus, and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

VII. This Statement was approved by the Company’s Board of Directors on February 23, 2023. Of the directors present, 0 had objections, and the rest all agreed with the content of this statement and declare here.

CHIH LIEN INDUSTRIAL CO., LTD.

President: Chung-Liang Pan with signature

General Manager: Chen-Wang Hsieh with signature

2. Where a CPA was entrusted to review the internal control system, the review report should be disclosed: No such situation.

(XII) **During the most recent year or during the current year up to the date of publication of the Annual Report, if the Company or its internal personnel have been punished in accordance with law, or the Company has punished its internal personnel for violating the provisions of the internal control system, the major deficiencies and improvements should be listed: none.**

(XIII) **Important resolutions of the shareholders' meetings and Board meetings during the most recent year or during the current year up to the date of publication of the Annual Report:**

1. Important resolutions of the shareholders' meetings

Meeting date	Important resolution	Remark/Implementation status
2022.05.26	★ Adoption of the Company's 2021 business report and financial statements ★ Adoption of the Company's 2021 earnings distribution proposal	★ The resolution has been entered into the Market Observation Post System. ★ The resolution has been entered into the Market Observation Post System. The distribution base date was set at August 18, 2022 and the distribution was completed on September 16, 2022 in accordance with the resolution of the shareholders' meeting. (Cash dividends of NT$1.20 per share were distributed, totaling NT$117,000 thousand)

2. Important resolutions of the Board meetings

Meeting date	Important resolution	Remark / Implementation status
2022.05.06	★ Adoption of the financial statements for 1Q2022. ★ Approval of the appointment and compensation for the Company's attesting CPAs for 2022. ★ Post-meeting actions: 3-hour training course for directors and managerial officers.	★ Public announcement and disclosure on the Company's website. ★ Implemented in accordance with operational procedures. ★ Subject: ESG-related legal issues that should be considered by the Board of Directors. (organized by Taiwan Corporate Governance Association)
2022.08.05	★ Adoption of the financial statements for 2Q2022. ★ Approval of the appointment of the Corporate Governance Officer. ★ Approval of the salary adjustment for managerial officers for 2022.	★ Public announcement and disclosure on the Company's website. ★ Implemented in accordance with operational procedures. ★ Implemented in accordance with operational procedures.
2022.11.04	★ Adoption of the financial statements for 3Q2022.	★ Public announcement and disclosure on the Company's website.
2022.12.27	★ Approval of the "2023 budget". ★ Approval of the "2023 audit plan". ★ Approval of the 2022 year-end consolation money for directors and independent directors. ★ Approval of the year-end bonus for managerial officers for 2022 ★ Approval of authorization to register the shareholders' meeting date in 2023. ★ Approval of the performance evaluations of the Board of Directors and the functional committees for 2022 ★ Approval of the amendments to the Company's "Procedures for Preventing Insider Trading and Handling Material Inside Information"	★ After voting, the proposal was approved as presented. ★ (In favor: Chung-Liang Pan, Yi-Sheng Tseng, Hsiao-Chueh Hsieh, Chung-Yu Wang, Shu-Chin Liang; Against: Kao-Huang Lin, Wan-Chen Tseng) ★ Implemented in accordance with the plan. ★ Implemented in accordance with operational procedures and distributed in January 2023. ★ Implemented in accordance with operational procedures and distributed in January 2023. ★ Implemented in accordance with operational procedures to set the registration date at 5/24. ★ Implemented in accordance with operational procedures. ★ Implemented in accordance with operational procedures.
2023.02.23	★ Approval of the 2022 profit-sharing remuneration for employees and profit-sharing remuneration for directors. ★ Approval of the Company's 2022 business report and financial statements. ★ Approval of the Company's 2022 earnings distribution proposal. ★ Approval of the subjects for the 2023 regular shareholders' meeting for 2023. ★ Approval of the issuance of the Company's "Statement of Internal Control System" for 2022. ★ Approval of the appointment and compensation for the Company's attesting CPAs for 2023. ★ Approval of the amendments to the "Ethical Management Best Practice Principles". ★ Approval of the formulation of the "Procedures for Ethical Management and Guidelines for Conduct".	★ Profit-sharing remuneration for employees of NT$1,243 thousand and profit-sharing remuneration for directors of NT$1,864 thousand are scheduled to be paid on March 14 and submitted to the 2023 regular shareholders' meeting. ★ Submitted to the 2023 regular shareholders' meeting for adoption. ★ Cash dividends of $0.35 per share, totaling $34,125 thousand, will be submitted to the 2023 shareholders' meeting. ★ Public announcement and disclosure on the Company's website. ★ Public announcement and disclosure on the Company's website. ★ Implemented in accordance with operational procedures. ★ To be reported at the 2023 regular shareholders' meeting and disclosed on the Company's website. ★ To be reported at the 2023 regular shareholders' meeting and disclosed on the Company's website.

Note: The Board of Directors often ratifies proposals for the bank financing lines, which is a routine every year, so the above table does not repeat these proposals.

(XIV) **If the directors or independent directors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the date of publication the Annual Report, please state the main content:**

Meeting date	Important resolution of the Board of Directors	Different opinions of directors or independent directors
2022.08.05	Appointment of the Corporate Governance Officer	Director Kao-Huang Lin believed that an outside person should be appointed to this position and therefore recommended to defer the proposal.
2022.12.27	2023 budget	Both Director Kao-Huang Lin and Independent Director Wan-Chen Tseng considered 2023 budget does not meet the expectations and therefore expressed an opposing opinion. The remaining information is available on page 23 of this Annual Report.

(XV) **For the most recent year or the current year up to the date of publication of the Annual Report, summary of the resignation and dismissal of the Company's President, general manager, accounting officer, finance officer, internal audit officer, corporate governance officer, and R&D officer:**

Summary of resignations and terminations of relevant personnel of the Company

March 31, 2023

Job Title	Name	Date assuming office	Date leaving office	Reason for resignation or termination
President	Chung-Liang Pan	2019.10.22	-	-
General Manager	Chen-Wang Hsieh	2018.08.29	-	-
Accounting Officer (Assistant VP)	Ming-Yuan Chiu	2011.04.01	-	-
Finance Officer (Assistant VP)	Ming-Yuan Chiu	2011.04.01	-	-
Internal Audit Officer	Ching-Chia He	2021.11.03	-	-
Corporate Governance Officer	Ming-Yuan Chiu	2022.08.05	-	-
R&D Officer	(Not yet established)	-	-	-

Note: The so-called relevant personnel refer to the Company's President, general manager, accounting officer, finance officer, internal audit officer, corporate governance officer, and R&D officer, etc.

IV. Information on CPA professional fees: (Unit: Thousands of NTD)

CPA firm	CPA name	CPA audit period	Audit fees	Non-audit fees	Total	Remark
KPMG	Po-Shu Huang	2022.01.01~2022.12.31	1,960	363	2,323	Contents of non-audit fees: Assurance services (tax returns, non-executive full-time employee salary audits)
	Chung-Shun Wu					

Please specify the service contents of non-audit fees: (*e.g.*, tax returns, assurance or other financial consulting services)

Note : If the Company changed its CPAs or CPA firm during the year, please indicate the audit period and the reason for the change in the Remark column and disclose the information on audit and non-audit fees paid in an orderly manner. Include a note on the service contents of the non-audit fees.

V. Information on replacement of CPAs: no such situation.

VI. The President, general manager, or officer in charge of financial or accounting matters of the Company, who has worked in the firm of the CPAs or its affiliates within the last year: no such situation.

VII. Changes in transfer and pledge of shares by directors, supervisors, managerial officers and shareholders with more than 10% of stake interest in the most recent year and the current year up to the date of publication of this Annual Report: no such situation.

(I) **Changes in shareholdings:**

Job Title	Name	2022		The current year up to March 26	
		Increase (Decrease) in number of shares held	Increase (Decrease) in number of shares pledged	Increase (Decrease) in number of shares held	Increase (Decrease) in number of shares pledged
Corporate Director	Dasheng International Investment Co., Ltd.:	288,000	0	228,000	0
Corporate Director	Renhe International Investment Co., Ltd.	232,000	0	226,000	0
Corporate Director	PROSPERITY DID ENTERPRISE CO., LTD.	0	0	0	0
Independent Director	Chung-Yu Wang	0	0	0	0
Independent Director	Shu-Chin Liang	0	0	0	0
Independent Director	Wan-Chen Tseng	0	0	0	0
President	Chung-Liang Pan	1,256,000	0	103,000	0
Director	Hsiao-Chueh Hsieh	305,000	0	0	0
Director	Yi-Sheng Tseng	0	0	0	0
Director	Kao-Huang Lin	0	0	0	0
Major shareholder with 10% ownership	Ching-Hang Lin	0	0	0	0
General Manager	Chen-Wang Hsieh	0	0	0	0
Assistant VP	Ming-Yuan Chiu	20,000	0	10,000	0
Assistant VP	Huan Chang	0	0	0	0
Assistant VP	Hsin-An Lin	5,000	0	1,000	0

Note 1: Shareholders with more than 10% ownership of the Company should be indicated as major shareholders and listed separately.
Note 2: The following schedule should be completed if the party to whom the stock is transferred or pledged is a related party.

(II) **Information on transfer of shares: no such transfer.**

(III) **Information on pledge of shares: no such pledge.**

VIII. Relationships among the Company's top ten shareholders

March 26, 2023

Name (Note 1)	Shareholdings by the individual		Shareholding of spouse and dependents		Shareholdings in the name of others		The name of and relationship among the top 10 shareholders if anyone is a related party, a spouse or a relative within the second degree of kinship of another (Note 3)		Remark
	Number of shares	Shareholdings Percentage	Number of shares	Shareholdings Percentage	Number of shares	Shareholdings Percentage	Title (or name)	Relationship	
Dasheng International Investment Co., Ltd.	10,984,000	11.27%	-	-	-	-	-	-	
Representative: Chung-Liang Pan	3,476,843	3.57%	3,837,000	3.94%	1,617,000	1.66%	Renhe International Investment Co., Ltd.	Director	
Renhe International Investment Co., Ltd.	10,365,000	10.63%	-	-	-	-			
Representative: Hsiao-Chueh Hsieh	3,837,000	3.94%	3,476,843	3.57%	-	-	Dasheng International Investment Co., Ltd.:	Director	
Ching-Hang Lin	9,850,000	10.10%	-	-	-	-	Kao-Huang Lin Lian Cheng Investment Development Co., Ltd. PROSPERITY DID ENTERPRISE CO., LTD.	Father and son Supervisor Director	
Prosperity Did Enterprise Co., Ltd. Representative: Kao-Huang Lin	9,260,000 0	9.50% 0	- -	- -	- -	- -	Ching-Hang Lin Ching-Hang Lin	Director Father and son	
Lian Cheng Investment Development Co., Ltd. Representative: Kao-Huang Lin	8,940,000 0	9.17% 0%	- -	- -	- -	- -	Ching-Hang Lin Ching-Hang Lin	Supervisor Father and son	
Tai Yi International Investment Co., Ltd.	5,499,000	5.64%	-	-	-	-	-	-	
Representative: Wen-Chin Tuan	82,000	0.08%	-	-	-	-	Wen-Lin Tuan, Chia-Shan Hsieh	Relative within 2nd degree of kinship	
Poratha International Co., Ltd.	5,000,000	5.13%	-	-	-	-	-	-	
Representative: Wen-Lin Tuan	122,000	0.13%	-	-	-	-	Wen-Chin Tuan, Chia-Shan Hsieh	Relative within 2nd degree of kinship	
Hsiao-Chueh Hsieh	3,837,000	3.94%	3,476,843	3.57%	-	-	Chung-Liang Pan	Spouses	
Chia-Shan Hsieh	3,476,843	3.57%	3,837,000	3.94%	1,617,000	1.66%	Wen-Chin Tuan, Wen-Lin Tuan	Relative within 2nd degree of kinship	
Chung-Liang Pan	2,259,936	2.32%	-	-	-	-	Hsiao-Chueh Hsieh	Spouses	

Note 1:the names of shareholders should be listed separately. The names of corporate shareholders and their representatives should be listed separately.
Note 2:the calculation of the shareholding percentage refers to the total shareholding in the name of the individual, spouse, minor children or others, respectively.
Note 3:the shareholders listed in the preceding paragraph include both corporations and natural persons, and the relationships between them should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

IX. The total number of shares and the consolidated shareholding percentage held in any single investee by the Company, its directors, managerial officers, or any companies controlled either directly or indirectly by the Company: no such situation

Four. Fund Raising

I. Capital and shares

(I) Source of Capital

1. Formation of capital

As of March 31, 2023 Units: Thousands of shares; Thousands of NTD

Year. Month	Issue price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Using property other than cash as payment of shares	Others
1973.09	10	300	3,000	300	3,000	Establishment capital	None	-
1975.11	10	2,500	25,000	2,500	25,000	Capital increase by cash22,000	None	-
1978.08	10	5,000	50,000	5,000	50,000	Capital increase by cash25,000	None	-
1987.02	10	10,000	100,000	10,000	100,000	Capital increase from earnings24,000 Capital increase from capital surplus26,000	None	-
1990.09	10	16,000	160,000	16,000	160,000	Capital increase in connection with the merger of Shin Yu60,000	None	-
1992.08	10	19,900	199,000	19,900	199,000	Capital increase from capital surplus39,000	None	-
1993.03	10	39,064	390,637	39,064	390,637	Capital increase by cash95,520 Capital increase from earnings39,800 Capital increase from capital surplus56,317	None	Note 1
1994.11	10	42,970	429.701	42,970	429,701	Capital increase from earnings39,064	None	Note 2
1995.06	10	70,000	700,000	50,275	502,750	Capital increase from earnings51,564 Capital increase from capital surplus21,485	None	Note 3
1996.09	16	120,000	1,200,000	82,961	829,609	Capital increase by cash250,000 Capital increase from earnings51,722 Capital increase from capital surplus25,137	None	Note 4
1997.08	10	120,000	1,200,000	91,257	912,570	Capital increase from capital surplus82,961	None	Note 5
1998.09	26.5	290,000	2,900,000	150,383	1,503,827	Capital increase by cash500,000 Capital increase from capital surplus91,257	None	Note 6 Note 7
1999.09	10	290,000	2,900,000	154,894	1,548,942	Capital increase from capital surplus45,115	None	Note 8
2001.02	10	290,000	2,900,000	149,627	1,496,272	Retirement of capital of treasury stock 52,670	None	
2005.09	10	290,000	2,900,000	93,100	931,000	Capital reduction of 565,272 to make up for losses	-	Note 9
2006.06	8	290,000	2,900,000	104,350	1,043,500	Cash capital increase by [private placement]112,500	None	Note 10
2007.05	8	290,000	2,900,000	111,850	1,118,500	Cash capital increase by [private placement]75,000	None	Note 11
2011.12	10	290,000	2,900,000	109,550	1,095,500	Retirement of capital of treasury stock 23,000	None	Note 12
2014.09	10	290,000	2,900,000	102,000	1,020,000	Retirement of capital of treasury stock 75,500	None	Note 13
2015.08	10	290,000	2,900,000	97,500	975,000	Retirement of capital of treasury stock 45,000	None	Note 14

Note 1: 1992.12.29 (1992) Tai-Cai-Zheng-Yi-Zi No. 03338.
Note 2: 1994.09.30 (1994) Tai-Cai-Zheng-Yi-Zi No. 41442.
Note 3: 1995.05.19 (1995) Tai-Cai-Zheng-Yi-Zi No. 29742.
Note 4: 1996.06.06 (1996) Tai-Cai-Zheng-Yi-Zi No. 32609.
Note 5: 1997.06.16 (1997) Tai-Cai-Zheng-Yi-Zi No. 46662.
Note 6: 1998.07.21 (1998) Tai-Cai-Zheng-Yi-Zi No. 43680.
Note 7: 1998.05.19 (1998) Tai-Cai-Zheng-Yi-Zi No. 43679.
Note 8: 1999.07.13 (1999) Tai-Cai-Zheng-Yi-Zi No. 63817.
Note 9: 2005.09.05 Jing-Guan-Zheng-Yi-Zi No. 0940129399.
Note 10: 2006.07.20 Jing-Shou-Shang-Zi No. 09501145380.
Note 11: 2007.05.17 Jing-Shou-Shang-Zi No. 09601107890.
Note 12: 2012.01.16 Jing-Shou-Shang-Zi No. 10101010360.
Note 13: 2014.10.06 Jing-Shou-Shang-Zi No. 10301210380.
Note 14: 2015.10.19 Jing-Shou-Shang-Zi No. 10401219390.

2. Type of shares

As of March 31, 2023

Type of shares	Authorized capital			Remark
	Outstanding shares (Note)	Unissued shares	Total	
Common stock	97,500,000 shares	192,500,000 shares	290,000,000 shares	

Note: Shares of a listed company

(II) **Shareholder composition**

March 26, 2023

Quantity \ Shareholder composition	Governance agencies	Financial institutions	Other corporations	Individuals	Mainland investors	Foreign institutions and foreigners	Total
Number of shareholders	0	0	158	29,134	1	26	29,319
Number of shares held	0	0	52,619,318	44,515,356	1	365,325	97,500,000
Shareholdings percentage (%)	0%	0%	53.96%	45.65%	0%	0.37%	100.00 %

Note: TWSE/TPEx primary listed companies and emerging stock companies should disclose the shareholdings percentage in these companies by Mainland investors; mainland investors refer to the people, legal entities, organizations, and other institutions in Mainland China or the enterprises they invest in a third region as stipulated in Article 3 of the Measures Governing Investment Permit to the People of Mainland Area.

(III) **Distribution of shareholdings**

Common stock/$10 par value per share March 26, 2023

Shareholdings range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1 ～ 999	25,106	735,099	0.75
1,000 ～ 5,000	3,430	6,783,422	6.96
5,001 ～ 10,000	439	3,472,698	3.56
10,001 ～ 15,000	111	1,412,122	1.45
15,001 ～ 20,000	66	1,227,664	1.26
20,001 ～ 30,000	33	856,233	0.88
30,001 ～ 40,000	35	1,226,325	1.26
40,001 ～ 50,000	23	1,094,577	1.12
50,001 ～ 100,000	35	2,423,772	2.49
100,001 ～ 200,000	17	2,370,564	2.43
200,001 ～ 400,000	8	2,126,467	2.18
400,001 ～ 600,000	4	2,043,278	2.10
600,001 ～ 800,000	1	639,000	0.65
800,001 ～ 1,000,000	0	0	0.00
More than 1,000,001	11	71,088,779	72.91
Total	29,319	97,500,000	100.00

Note: The Company did not issue any preferred stock

(IV) **List of Major Shareholders**

March 26, 2023

Name of major shareholders/Shares	Number of shares held	Shareholding percentage (%)
Dasheng International Investment Co., Ltd.	10,984,000	11.27
Renhe International Investment Co., Ltd.	10,365,000	10.63
Ching-Hang Lin	9,850,000	10.10
Prosperity Did Enterprise Co., Ltd.	9,260,000	9.50
Lian Cheng Investment Development Co., Ltd.	8,940,000	9.17
Tai Yi International Investment Co., Ltd.	5,499,000	5.64
Poratha International Co., Ltd.	5,000,000	5.13
Hsiao-Chueh Hsieh	3,837,000	3.94
Chung-Liang Pan	3,476,843	3.57
Chia-Shan Hsieh	2,259,936	2.32

(V) Information on market price, net worth, earnings, dividend per share for the most recent two years

Unit: NTD; Shares

Item \ Year			2021	2022	The current year up to February 28, 2023 (Note 8)
Market price per share (Note 1)	Highest		33.85	32.00	-
	Lowest		13.75	16.05	-
	Average		25.30	19.99	-
Net worth per share (Note 2)	Before distribution		12.83	12.20	-
	After distribution		11.63	(Not yet distributed)	-
Earnings per share	Weighted average number of shares (Thousands of shares)		97,500	97,500	97,500
	Earnings per share (Note 3)		1.47	0.48	-
Dividends per share	Cash dividends		1.20	0.35	-
	Stock dividends	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividends (Note 4)		-	-	-
Return on investment analysis	Price to earnings ratio (Note 5)		13.59	41.65	-
	Price to dividends ratio (Note 6)		16.64	57.11	-
	Cash dividend yield (Note 7)		6.01%	1.75%	-

*If the Company increased capital from earnings or capital surplus with allotments of shares, it should disclose the market price and cash dividends retroactively adjusted for the number of shares allotted.

Note 1: list the highest and lowest market price of common stock for each year, with average market price for each year calculated based on the transaction value and volume of each year.

Note 2: please enter based on the number of shares issued at the end of the year and the distribution in accordance with the resolution of the shareholders' meeting of the following year.

Note 3: if there is a retroactive adjustment due to circumstances such as stock dividends, etc., earnings per share before and after the adjustment should be shown.

Note 4: if equity securities are issued with terms that allow dividends unpaid in the current year to be accrued and accumulated until the year the Company makes a profit, the amount of accumulated undistributed dividends as of the current year should be 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: net worth per share and earnings per share should be presented with the data in the statements for the most recent quarter audited (reviewed) by CPAs or the self-assessed statements as of the date of publication of the Annual Report; the remaining fields should be presented with the data for the current year as of the date of publication of the Annual Report. As of the date of publication of the Annual Report, the first quarter of 2022 has not yet been reviewed by CPAs.

(VI) Description of the Company's dividends policy, implementation status and expected significant changes

1. Dividends policy

   The Company's dividends policy is formulated in accordance with the Company's current and future development plans, with the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders taken into account. The Company's dividends policy is based on the principle that no less than 30% of the earnings available for distribution in a given year should be appropriated and distributed as dividends, which may be paid in cash or in stock, with cash dividends not less than 30% of the total dividends. However, if, after calculations, the dividends and bonuses (the sum of cash dividends and stock dividends) to shareholders are less than $0.20 per share, no distribution of dividends shall be made.

2. Implementation status and expected significant changes

   (1) Implementation status

   The Company's 2022 earnings distribution proposal was proposed by the Board of Directors on February 23, 2023 in accordance with Article 26 of the Company's Articles of Incorporation, *i.e.*, shareholders will be paid with cash dividends of $0.35 per share, for a total of $34,125 thousand.

   (2) Expected significant changes in dividend policy: none.

(VII) The effect of the stock dividends to be proposed to the shareholders' meeting on the Company's business results and earnings per share:

The distribution of 2022 earnings will be in the form of cash dividends and it is therefore not applicable.

(VIII) **Profit-sharing remuneration for employees and profit-sharing remuneration for directors and supervisors.**

1. In accordance with Article 26 of the Company's Articles of Incorporation, and the Regulations Governing the Payment of Salaries to Directors and Managerial Officers
   If the Company makes a profit in a year as concluded by the year-end accounting close, the Company shall set aside 2% as profit-sharing remuneration for employees and not more than 3% as profit-sharing remuneration for directors, and the so-called profit refers to the net profit before tax, before the distribution of profit-sharing remuneration for employees and profit-sharing remuneration for directors and supervisors. However, if the Company still has accumulated losses, the profit-sharing remunerations can be distributed at the respectively specified percentages only after the Company makes up for the accumulated losses.
2. The basis for estimating the amount of profit-sharing remuneration for employees, profit-sharing remuneration for directors and supervisors for the current period, the basis for calculating the number of shares distributed as bonus, and the accounting treatment if the actual amount of distribution differs from the estimated amount.
   (1) The basis for estimation: the same as the preceding paragraph, *i.e.*, 2% as profit-sharing remuneration for employees and 3% as profit-sharing remuneration for directors.
   (2) The basis for calculating the number of shares distributed as bonus: there was no employee stock bonus for the period.
   (3) The accounting treatment for difference: there is no difference between the estimated amount and the actual amount, and if there is, the difference is recorded as profit or loss in the year of distribution.
3. The reason for the difference between the amount proposed by Board of Directors for distribution and the estimated amount and the treatment for the difference are as follows: (Unit: Thousands of NTD)

2022	Amount proposed by the Board of Directors	Estimated amount	Difference	Reason for the difference	Treatment for the difference
Profit-sharing remuneration for employees	1,243	1,243	0	None	Not applicable
Profit-sharing remuneration for directors	1,864	1,864	0	None	Not applicable

4. Where the actual distribution of profit-sharing remunerations for employees, directors and supervisors (including the number of shares distributed, amount and share price) for the previous year (2021) and the recognized amounts for profit-sharing remunerations for employees, directors and supervisors are different, the difference, reason, and treatment should be stated: (Unit: Thousands of NTD)

2021	Amount proposed by the Board of Directors	Estimated amount	Difference	Reason for the difference	Treatment for the difference
Profit-sharing remuneration for employees	3,765	3,765	0	None	Not applicable
Profit-sharing remuneration for directors and supervisors	5,647	5,647	0	None	Not applicable

(IX) Repurchase of the Company's shares: none

II. Issuance of corporate bonds: none.
III. Issuance of preferred stocks: none.
IV. Issuance of global depository receipts: none.
V. Issuance of employee stock options and employee restricted stocks: none.
VI. Issuance of new shares in connection with mergers or acquisitions of shares of other companies: none.
VII. Implementation of capital utilization plan:

(1) Analysis of previous issues or private placements of marketable securities that have not yet been completed or have been completed within the most recent three years and the benefits of the plans have not yet been realized: none.
(2) Implementation status: Analyze one by one the implementation status of each plan in the preceding paragraph as of the quarter prior to the date of publication of the Annual Report, compared to the original estimated benefits: none.

Five. Operations Overview

I. Business contents

(I) Business scope

1. Main contents of the business
   A. Manufacturing, processing and trading of high carbon steel, medium carbon steel, low carbon steel and special steel alloy steel.
   B. Manufacturing, processing and trading of high tensile steel wire, PC steel wire, PC steel stranded wire, galvanized steel stranded wire, steel cable, steel wire, rope, fishing tackle and steel wire.
   C. Manufacturing, processing and trading of black iron wire, spot welded steel wire mesh, iron wire mesh, galvanized iron wire, galvanized iron stranded wire, stainless steel wire, steel nails, foreign nails, alkali foam, etc.
   D. Dismantling of old ships and trading of scrap iron.
   E. Manufacturing, processing and sale of chemical fibers and synthetic resins.
   F. Manufacturing, processing and trading of non-ferrous metal materials.
   G. Manufacturing, processing and trading of aviation materials and parts thereof.
   H. Manufacturing, processing and trading of furniture and spring bed imports.
   I. Import and export of products of domestic and foreign vendors.
2. Current product application and sales percentage

Period: 2022

Product		Application	Percentage
Steel wires	High carbon steel wires	Steel wires for umbrella bones, car strips, springs, washes, nails and cables	23.85%
	Low carbon steel wires	Steel wire for nails, wire, screws, etc.	
	General springs	Springs for foreign bed, gardening claw and rake	
	High tension springs	Umbrella springs, sports equipment, motorcycle shock springs, etc.	
	AP annealed wires	Steel wires for cable, steam and motorcycle codes, steel wire brushes	
Steel bars	Free cutting steels	Steel bars for lathe cutting of parts for the electronics, computer, motorcycle, bicycle, and automobile industries	69.13%
	Medium carbon steels	General grade industrial parts for grade shafts, tools, screws, nuts, and others	
	Alloy steels	High grade industrial parts for shafts, tools, screws, nuts, and others	
	Stainless steels	Steel wires and bars for car strips, screws, springs, cables, construction, electronics and other industries	
	Polishing sticks	Automotive parts	
Others		Trading and processing of wire rods	7.02%
Total			100.00％

3. Major counterparties of purchases and sales for the last two years

(1) Top ten major suppliers

Information on major suppliers for the last two years

Unit: Thousands of NTD

	2021				2022				2023 up to the first quarter			
Item	Name of supplier (code name)	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer	Name of supplier (code name)	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer	Name of supplier (code name)	Amount	As a percentage of net purchases for the current year up to the previous quarter (%)	Relationship with the issuer
1	3041	546,679	48.11	None	3041	667,646	61.60	None	3041	40,981	61.53	None
2	D000	178,585	15.72	None	D000	171,631	15.83	None	T005	9,433	14.16	None
3	S006	153,095	13.47	None	S006	66,878	6.17	None	D000	8,234	12.36	None
4	K005	104,746	9.22	None	K005	47,810	4.41	None	5538	7,028	10.55	None
5	5538	60,979	5.37	None	T005	42,740	3.94	None	4971	449	0.67	None
6	T005	35,396	3.12	None	7530	31,711	2.93	None	W000	131	0.20	None
7	7530	33,800	2.97	None	5538	24,287	2.24	None	8931	117	0.18	None
8	H000	12,206	1.07	None	H000	10,687	0.99	None	2251	71	0.11	None
9	2251	2,642	0.23	None	W003	5,955	0.55	None	7210	64	0.10	None
10	7599	2,288	0.20	None	2861	4,771	0.44	None	1673	62	0.09	None
	Others	5,806	0.52		Others	9,776	0.90		Others	35	0.05	
	Net purchases	677,954	100.00		Net purchases	1,083,892	100.00		Net purchases	66,605	100.00	

Note 1: Name of supplier representing more than 10% of total purchases in the previous two years, and the amount and percentage of purchase; code name can be used instead if any contract prohibits the Company from disclosing the supplier's name, or if the counterparty is a non-related party.

Note 2: TWSE or TPEx listed companies should disclose the financial information of the most recent period that has been audited, attested or reviewed by CPAs as of the publication date of the Annual Report.

Note 3: The above does not include inventory and merchandise in transit at the end of the period.

(2) Top ten major customers

Information on major customers for the last two years

Unit: Thousands of NTD

	2021				2022				2023 up to the first quarter			
Item	Name of customer (code name)	Amount	As a percentage of net sales for the whole year (%)	Relationship with the issuer	Name of customer (code name)	Amount	As a percentage of net sales for the whole year (%)	Relationship with the issuer	Name of customer (code name)	Amount	As a percentage of net sales for the current year up to the previous quarter (%)	Relationship with the issuer
1	5250	129,640	8.49	None	8931	96,331	8.24	None	2305	14,513	6.01	None
2	2268	112,128	7.35	None	5250	60,074	5.14	None	W01D26	14,340	5.94	None
3	2857	106,317	6.96	None	2268	59,451	5.09	None	2268	13,960	5.78	None
4	8931	98,835	6.47	None	2305	52,817	4.52	None	8931	13,807	5.72	None
5	2305	69,784	4.57	None	1698	51,622	4.42	None	5250	11,721	4.85	None
6	6183	64,514	4.23	None	2857	44,966	3.85	None	B01D46	9,959	4.12	None
7	3590	59,742	3.91	None	B01T27	38,701	3.31	None	B01D16	9,269	3.84	None
8	1698	55,678	3.65	None	W12D96	37,709	3.23	None	1698	9,215	3.82	None
9	3615	45,019	2.95	Related party	W01D26	37,478	3.21	None	2370	9,183	3.80	None
10	B01T49	41,164	2.70	None	3615	35,127	3.01	Related party	2857	8,928	3.70	None
	Others	743,630	48.72		Others	654,321	55.98		Others	126,643	52.42	
	Net sales	1,526,451	100.00		Net sales	1,168,597	100.00		Net sales	241,538	100.00	

Note 1: Name of customer representing more than 10% of total sales in the previous two years, and the amount and percentage of sales; code name can be used instead if any contract prohibits the Company from disclosing the customer's name, or if the counterparty is a non-related party.

2: TWSE or TPEx listed companies should disclose the financial information of the most recent period that has been audited, attested or reviewed by CPAs as of the publication date of the Annual Report.

(3) Production volume and value for the last two years

Unit: Metric tons/Thousands of NTD

Year	2021			2022		
Main product & production volume and value	Production capacity	Production volume	Production value	Production capacity	Production volume	Product value
Steel wires	33,333	8,628	282,679	33,333	6,748	262,724
Steel bars	33,333	25,679	921,778	33,333	17,065	732,558
Processing	-	14,859	64,513	-	10,998	51,883
Total	66,666	49,166	1,268,970	66,666	34,811	1,047,165

Note 1: Production capacity refers to the quantity that the company can produce under normal operation using existing production equipment after taking into account necessary shutdowns, holidays and other factors.

Note 2: If the production of product is substitutable, the production capacity may be combined and explained in the notes.

(4) Sales volume and value for the last two years

Unit: Metric tons/Thousands of NTD

Product \ Year	2021				2022			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Steel wires	6,616	246,077	2,190	85,603	4,067	163,996	2,367	114,738
Steel bars	17,581	760,759	7,866	336,820	10,324	487,916	6,023	319,908
Others	606	17,875	60	2,994	453	19,483	34	2,412
Processing revenue	12,449	76,323	-	-	9,221	60,144	-	-
Total	37,252	1,101,034	10,116	425,417	24,065	731,539	8,424	437,058

4. Long- and short-term business development plans

(1) Short-term development plan

a. Continue to upgrade old production equipment to improve product yield and quality in terms of hardware, software and management.

b. Attach importance to internal and external training of personnel and implement human resource quality improvement plans to enhance overall competitiveness.

c. Secure orders from customers with higher value-added automobile parts and components.

(2) Long-term development plan

a. Invest in Southeast Asian countries to establish plants or business bases.

b. Cooperate with academic research and development institutions to invest in the research and development of new products, following the upgrade and transformation of the industry.

c. Make appropriate and safe investments and financial operations without endangering the development of the core business.

(II) **Industry overview** (describe the current state and development of the industry, correlations among upstream, midstream, and downstream industries, product development trends and competitive situations)

1. Current state and development of the industry:
According to China Steel, international inflation has cooled, and the negative impact of the Russian-Ukrainian war on the economy has subsided, causing energy prices to fall and the European and U.S. economies to stabilize and improve. Economic state for manufacturing industries continues to expand, and China has completed lifted its city lockdowns, with economic revitalization policies, driving rigid and inventory replenishment demands. In terms of steel demand, China's "expanding domestic demand and consumption" policy after the 20th National Congress will accelerate new infrastructure construction and revitalize the housing market, generating steel demand; the automobile industry is expected to break away from the chip and parts shortage quagmire of the previous two years, with car makers resuming production scale before the pandemic. The international steel market will enter the second quarter of the traditional peak season, with demand for steel steadily picking up. On the steel supply side, China continues to enforce its supply-side reform, with global crude steel production decreasing by 4.3% to 1,831.5 million tons last year, according to worldsteel. In addition, steel inventories are gradually declining, and global steel supply is expected to remain tight.
2. Correlation among upstream, midstream and downstream industries: the Company is in the steel wire processing industry, which receives material (wire rods) from upstream industry (*e.g.*, China Steel), and is mainly engaged in the production and sales of steel wires and steel bars. The industry is characterized by highly interrelated and closed upstream and downstream industrial relationship, and is capital- and technology-intensive industries, with low product substitution and long life cycle, and a satellite system among the upstream and downstream industries has taken shape for the internal players to share mutual benefits in operations.
3. Product development trend: Strengthen product straightness, surface smoothness, effective demagnetization, and reduce the burden of environmental protection.
4. Competition: Our main domestic competitors include CAMELLIA, SONG HO, KIKAWA and CHIA TA, etc. We have excellent product quality and technology, and maintain a good competitive and collaborative relationship with the industrial peers.

(III) **R&D overview**

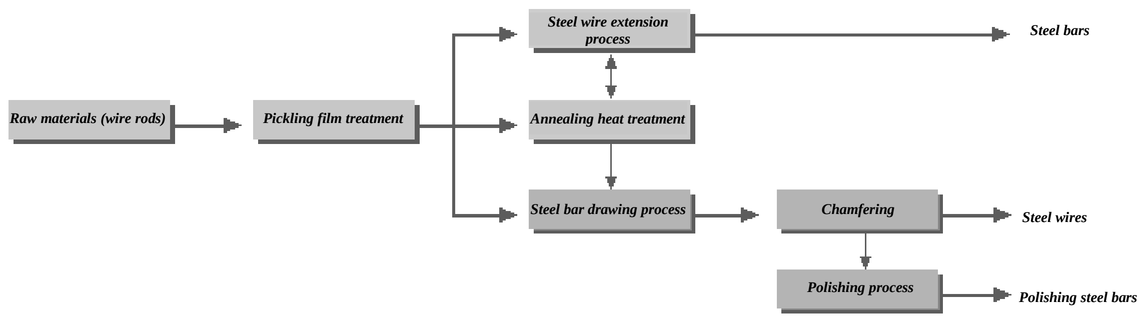
1. **Technology overview:**
   (1) Continue to introduce auto parts and fastening equipment and enter the auto material market.
   (2) Upgraded and refined process capabilities such as steel bar straightening, online (external) surface probing, and ultrasonic internal probing.
   (3) Completed the upgrade to more advanced and environmentally friendly fully automated acid pickling equipment.
   (4) Gradual growing trend for products for high-safety motorcycle material applications
2. **R&D overview:** No R&D plans for the coming year.

(IV) **Important applications and processes of main products.**

1. Product applications

Product		Application
Steel wires	High carbon steel wires	Steel wires for umbrella bones, car strips, springs, washes, nails and cables
	Low carbon steel wires	Steel wire for nails, wire, screws, etc.
	General springs	Springs for foreign bed, gardening claw and rake
	High tension springs	Umbrella springs, sports equipment, motorcycle shock springs, etc.
	AP annealed wires	Steel wires for cable, steam and motorcycle codes, steel wire brushes
Steel bars	Free cutting steels	Steel bars for lathe cutting of parts for the electronics, computer, motorcycle, bicycle, and automobile industries
	Medium carbon steels	General grade industrial parts for grade shafts, tools, screws, nuts, and others
	Alloy steels	High grade industrial parts for grade shafts, tools, screws, nuts, and others
	Stainless steels	Steel wires and bars for car strips, screws, springs, cables, construction, electronics and other industries
	Polishing sticks	Automotive parts

2. Production process



II. Market, production and sales overview

(I) **Supply of main raw materials**

Name of raw materials	Name of suppliers	State of supply
Free cutting steel wire rods	China Steel/JFE(Japan)/Saarstahl(Germany)/British Steel(UK)/FENG HSIN	Good and stable
High carbon steel wire rods	China Steel/British Steel(UK)/DONGHWA(Korea)	Good and stable
Stainless steel wire rods	Daido(Japan)/DONGHWA(Korea)/Nippon Steel(Japan)	Good and stable
Alloy steel wire rods	JFE(Japan)/China Steel/Nippon Steel(Japan)	Good and stable
Medium carbon steel wire rods	China Steel	Good and stable

(II) **The names of suppliers (customers) who accounted for more than 10% of the total purchases (sales) in any of the most recent 2 years, their purchases (sales) amount and proportion, and the reasons for the increase or decrease:**

List of major sales customers: the Company had no customers who accounted for 10% of total sales in the last two years.

List of major suppliers:

Unit: Thousands of NTD

2021				2022				2023 up to the first quarter			
Company Name	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer	Company name	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer	Company name	Amount	As a percentage of net purchases for the whole year (%)	Relationship with the issuer
3041	546,679	48.11	None	3041	667,646	61.60	None	3041	40,981	61.53	None
D000	178,585	15.72	None	D000	171,631	15.83	None	T005	9,433	14.16	None
S006	153,095	13.47	None	S006	66,878	6.17	None	D000	8,234	12.36	None

Note: the increase or decrease was due to the difference in the product mix of purchases.

(III) **Major sales regions for products**

Unit: Thousands of NTD

Region		2021		2022	
		Amount	Percentage(%)	Amount	Percentage(%)
Export sales	Southeast Asia	191,918	13 %	203,753	17 %
	Northeast Asia	39,013	2 %	30,939	3 %
	Hong Kong and Mainland China	191,935	13 %	200,150	17 %
	Other regions	2,551	0 %	2,215	0 %
Domestic sales		1,101,034	72 %	731,540	63%
Total		1,526,451	100%	1,168,597	100%

(IV) **Possible future state of supply and demand in the market (steel wires and bars)**

1. Supply: High inventory, so supply is not in danger.
2. Demand: Slightly soft for short-term, with medium-term growth.

(V) **Business Target**

Sales volume and value targets for the year are expected to be slightly higher compared to 2022.

(VI) **Favorable and unfavorable factors of development**

1. Favorable factors
   - A. The Company has a long history of manufacturing steel wire and bar products with excellent quality, and has maintained long-term good collaborative relationship with downstream channel customers, resulting in solid business.
   - B. The Company's products are highly correlated to various downstream industries, and the products are widely used. The source of business is rather stable and the risk of volatility of industry economic cycle is relatively low.
   - C. Low employee turnover, sound financial structure, and high product competitiveness.
2. Unfavorable factors
   - A. Large capital compared to the industrial peers, high pressure on earnings per share, while share price and profitability performance are easily suppressed.

     ＝＞Response: gradually implement capital reduction by cash or treasury stock depending on profitability.
   - B. The proportion of raw materials cost to revenue is high, and it is not easy to control inventory due to industry characteristics and when steel price or exchange rate fluctuates

     ＝＞Response: collect industry development information, strengthen production and sales coordination, and enhance inventory control.
   - C. Aging human resources, low salary for employees, difficulty in recruiting talents, and difficulty in upgrading the industry.

     ＝＞Response: actively recruit and train young talents, establish a performance evaluation system, and increase employee salaries and other welfare measures.
   - D. Inventory backlog is serious, affecting capital utilization

     ＝＞Response: actively reduce price to promote sales, and leverage bank credit lines.

III. Information on employees for the most recent two years

Year		2021	2022	As of March 31, 2023
Number of employees	Office clerks	58	61	60
	Operators	115	105	104
	Total	173	166	164
Average age		43.7	44.7	44.3
Average years of service		13	13.8	13.8
Education distribution (%)	Doctorate	0	0	0
	Master's	1.2	1.2	1.2
	University or college	27.7	29.5	29.9
	Senior high school	62.4	60.8	61
	Below senior high school	8.7	8.4	7.9

IV. Information on environmental protection expenditures

(I) At the site of the Company's plant in Xinwu District, Taoyuan City, we invested in waste water, waste gas, and waste sludge treatment constructions upon establishment. Passed ISO14001 environmental management system certification in November 2022.

(II) The Company's pollution disputes in the last two years: none.

(III) Significant losses due to environmental pollution in the last two years: none.

(IV) Estimated significant capital expenditures for environmental protection in the next three years: none.

(V) RoHS related information: not applicable. Based on the characteristics of our industry (we are in the steel industry, not in the electrical and electronics industry), we are not affected by the EU Restriction of Hazardous Substances Directive (RoHS).

V. Labor relation

(I) Employee welfares, retirement system and education and training

1. Employee welfares

In order to establish the management system and improve the organization function, the Company has established measures for the management of new employees, the attendance and appraisal for employees, and the salary payment, etc. The Company has compiled the "Work Rules" in accordance with the "Labor Standards Act" and related regulations and has submitted them to the competent authorities for approval.

The Company has set up an "Employee Welfare Committee" to organize various cultural and recreational activities and to handle various welfare affairs, and the main welfare measures for employees and their implementation are as follows:

1. All employees participate in labor insurance and health insurance in accordance with the law; free employee group insurance and health checkups are provided every year.
2. Provide employees with work clothes and safety shoes.
3. After the year-end accounting close, we will distribute profit-sharing remuneration for employees in accordance with the Company's Articles of Incorporation, so as to increase the motivation of employees and achieve the goal of benefit sharing and win-win situation for both employees and management
4. Implement the employee retirement plan, carry out the retirement system, and properly take care of the lives of retired employees.
5. Provide free dormitories for employees and preferential group meals.
6. Various subsidies:
   (1) Subsidies for children's education (twice a year): 800 for elementary school, 1,500 for junior high school, 2,500 for high school, and 4,000 for university and college.
   (2) Wedding and funeral subsidies: Immediate family members → one-half of the employee's salary.
   (3) Childbirth subsidy: One-half of the employee's salary for the first child and one-quarter of the employee's salary for the second child onward.
   (4) Old-age allowance: 1,200 per person per year for immediate family members who have reached the age of 75.
   (5) Emergency assistance: Employees can apply for assistance for accident, illness or hospitalization for themselves, spouses or children.
7. Festival bonus and gifts, quarterly performance bonus, year-end bonus, birthday gift (800 per person), and year-end party cash equivalent.
8. Annual domestic or overseas travel activities organized by the Employee Welfare Committee, which are open to employees and their families.

9. Operating performance (results) and changes in employee welfares:

Year	2018	2019	2020	2021	2022
Earnings per share (NTD)	$0.77	$0.18	$0.28	$1.47	$0.48
Profit-sharing remuneration for employees (NTD) (Note)	1,979,785	443,467	650,730	3,764,923	1,242,650
Hospitality of employee travel	Foreign	Domestic	Suspended due to the pandemic	Suspended due to the pandemic	Domestic
Distribution of quarterly bonus	Q1~Q4	Q2	Q4	Q1~Q4	Q1

Note: profit-sharing remuneration for employees is calculated in accordance with Article 26 of the Company's Articles of Incorporation at the rate of **2% of profit before tax**.

2. Retirement system:

Old scheme: the Supervisory Committee of Labor Retirement Reserve was established in accordance with the Labor Standards Act, and the monthly retirement reserve fund is set aside at 6% of total salaries and wages and deposited to "Dedicated Account of the Supervisory Committee of Labor Retirement Reserve of CHIH LIEN INDUSTRIAL CO." at the Bank of Taiwan. The pension benefits are calculated in accordance with the Labor Standards Act. As of March 31, 2023, the Company has fully appropriated $69,208,163 to the retirement reserve fund in accordance with the law.

New scheme: since July 1, 2005, in accordance with the implementation of the Labor Pension Act, employees who were originally subject to the old scheme and choose to be subject to the new scheme or who joined the Company after the implementation of the new scheme are subject to a defined contribution pension plan, and their pension benefits are contributed by the Company at 6% of each employee's monthly wages and deposited in the individual pension account at the Bureau of Labor Insurance.

3. Education and training:

The following table summarizes the internal and external professional, managerial, and occupational safety and health training programs held in 2022:

Type of employees	Number of attendees	Main contents	Hours	Lecturer's fees
Director	6	Board of Directors' consideration of ESG-related legal issues. green industry trends - Low carbon investment outlook and business strategies for 2022	18	16,651
Company employees (Finance Department)	109	Accounting officer development. International Accounting Standards. Securities and Exchange Act. tax law. ESG and net zero of corporate governance. pre-employment training for internal auditors. Accounting for employee remuneration. Carbon reduction issues. Let the charts speak for themselves. Investing in Vietnam. Greenhouse gas inventory pathway guide	202	65,845
Company employees (Audit Office/General Manager's Office/Administration Department)	33	Internal audit training. Audit practices for sales and procurement cycles. Board of Directors related regulatory interpretation courses. Professional integrity and legal risk education	485	99,361
Company employees (Foreign Department/Sales Department)	28	ISO50001 Energy Management System. What you must know about investing in Vietnam	156	13,903
Plant employees (Plant Affairs Department/Technology Department)	396	Fire prevention management training. First aid training. Oxygen deprivation operation supervisor training. High pressure gas equipment operation. ISO14001 Environmental Management System. IS050001 Energy Management System	2,546	611,936
Total	572		3,407	807,696

(II) Losses due to labor disputes since the most recent year up to the date of publication of this Annual Report (April 28, 2023): none.

VI. Important contracts

Nature of contracts	Parties concerned	Start and end dates of the contracts	Main contents	Restricted clauses
Material supply contracts	China Steel Corporation	Renewed every quarter	Price, quantity, and specifications for the purchases of wire rods	None
Material supply contracts	Daido Kogyo (Japan)	Renewed every quarter	Price, quantity, and specifications for the purchases of wire rods	None
Material supply contracts	NIPPON STEEL (Japan)	Renewed every quarter	Price, quantity, and specifications for the purchases of wire rods	None
Material supply contracts	British Steel (UK)	Renewed every quarter	Price, quantity, and specifications for the purchases of wire rods	None
Material supply contracts	FENG HSIN STEEL CO., LTD.	Renewed every month	Price, quantity, and specifications for the purchases of wire rods	None
Material supply contracts	Saarstahl (Germany)	Renewed every quarter	Price, quantity, and specifications for the purchases of wire rods	None

Six. Financial Position

I. Condensed balance sheets, statements of comprehensive income and names of the attesting CPAs and the audit opinions for the most recent 5 years

(I) Condensed Balance Sheets and Statements of Comprehensive Income (IFRS)

Condensed Balance Sheets (IFRS - Parent Company Only)

Unit: Thousands of NTD

Item \ Year		Financial information for the most recent 5 years (Notes 1, 2)					Financial information for the current year up to March 31 (Note 3)
		2018	2019	2020	2021	2022	2023
Current assets		1,072,742	947,266	791,344	905,103	1,151,069	1,074,670
Long-term investments		—	—	—	—	—	—
Property, plant and equipment		1,214,796	1,167,249	1,117,421	1,084,743	1,040,192	1,038,008
Right-of-use assets		—	4,127	5,693	3,904	2,434	1,760
Other assets		12,326	12,384	8,774	13,399	20,294	12,918
Total assets		2,299,864	2,131,026	1,923,232	2,007,149	2,213,989	2,127,356
Current liabilities	Before distribution	856,410	776,695	629,603	697,950	974,181	529,211
	After distribution	914,910	810,820	653,978	814,950	(Note 2)	—
Non-current liabilities		260,649	211,398	157,037	58,209	50,246	422,703
Total liabilities	Before distribution	1,117,059	988,093	786,640	756,159	1,024,427	951,914
	After distribution	1,175,559	1,022,218	811,015	873,159	(Note 2)	—
Stock capital		975,000	975,000	975,000	975,000	975,000	975,000
Capital surplus		10,438	10,438	10,438	10,502	10,530	10,530
Retained earnings	Before distribution	197,367	157,495	151,154	265,488	204,032	189,912
	After distribution	138,867	123,370	126,779	148,488	(Note 2)	—
Other equity		0	0	0	0	0	0
Treasury stock		0	0	0	0	0	0
Total equity	Before distribution	1,182,805	1,142,933	1,136,592	1,250,990	1,189,562	1,175,442
	After distribution	1,124,305	1,108,808	1,112,217	1,133,990	(Note 2)	—

Note 1. The financial statements for the most recent 5 years have been audited by CPAs.
2: The 2022 earnings distribution proposal has not yet been resolved by the shareholders' meeting.
3. As of the date of publication of the Annual Report, the first quarter of 2023 has not yet been reviewed by CPAs.

Condensed Statements of Comprehensive Income (IFRS - Parent Company Only)

Unit: Thousands of NTD

Year / Item	Financial information for the most recent 5 years (Note 1)					Financial information for the current year up to March 31 (Note 2)
	2018	2019	2020	2021	2022	2023
Operating revenue	1,447,927	1,235,991	1,184,430	1,526,451	1,168,598	241,539
Operating gross profit	182,917	103,339	100,353	263,248	135,983	233,368
Operating profit (loss)	101,353	35,661	36,337	182,434	62,761	8,171
Non-operating income and expense	(7,313)	(14,596)	(5,428)	(3,600)	(3,735)	(5,377)
Net profit (Net loss) before tax from continuing operations	94,040	21,065	30,909	178,834	59,026	(13,533)
Less: Income tax expense	19,181	3,948	4,066	35,485	11,807	198
Net profit (loss) for the period	74,859	17,117	26,843	143,349	47,219	(13,731)
Other comprehensive income for the period (net of tax)	(3,130)	1,511	941	(4,640)	8,325	--
Total comprehensive income for the period	71,729	18,628	27,784	138,709	55,544	--
Earnings per share	0.77	0.18	0.28	1.47	0.48	(0.14)

Note 1. The financial statements for the most recent 5 years have been audited by CPAs.

2. As of the date of publication of the Annual Report, the first quarter of 2023 has not yet been reviewed by CPAs.

(II) Names and audit opinions of the attesting CPAs for the most recent five years

Year	CPA firm	Attesting CPAs	Audit opinion	Reason for the replacement of CPAs
2018	KPMG	Po-Shu Huang, Yuan-Sheng Yin	Unqualified opinion	Internal adjustment in the CPA firm
2019	KPMG	Po-Shu Huang, Yuan-Sheng Yin	Unqualified opinion	NA
2020	KPMG	Po-Shu Huang, Yuan-Sheng Yin	Unqualified opinion	Internal adjustment in the CPA firm
2021	KPMG	Po-Shu Huang, Chung-Shun Wu	Unqualified opinion	NA
2022	KPMG	Po-Shu Huang, Chung-Shun Wu	Unqualified opinion	NA

II. Financial analysis for the most recent 5 years

Financial Analysis (IFRS - Parent Company Only)

Analysis item / Year		Financial analysis for the most recent 5 years (Note 1)					The current year up to March 31 (Note 2)
		2018	2019	2020	2021	2022	2023
Capital structure	Debt to assets ratio (%)	49	46	40	38	46	45
	Long-term capital to property, plant and equipment ratio (%)	119	116	116	121	119	154
Solvency	Current ratio (%)	125	122	126	130	118	203
	Quick ratio (%)	59	61	74	59	37	75
	Interest coverage multiplier	7	2	4	26	5	(7)
Operating performance	Accounts receivable turnover rate (times)	5.24	5.12	4.79	6.07	7.27	6.44
	Average collection days	70	71	76	60	50	57
	Inventory turnover rate (times)	2.48	2.18	2.74	3.17	1.63	1.28
	Accounts payable turnover rate (times)	6.45	6.61	8.34	8.66	7.23	10.77
	Average sales days	147	167	133	115	224	285
	Property, plant and equipment turnover rate (times)	1.22	1.04	1.04	1.39	1.10	0.93
	Total assets turnover rate (times)	0.64	0.56	0.58	0.78	0.53	0.03
Profitability	Return on assets (%)	4	1	2	8	3	(2)
	Return on equity (%)	6	1	2	12	4	(5)
	Net profit before tax to paid-in capital (%)	10	2	3	18	6	(1)
	Net profit margin (%)	5	1	2	9	4	(6)
	Earnings per share (NTD)	0.77	0.18	0.28	1.47	0.48	(0.14)
Cash flows	Cash flow ratio (%)	6	19	30	30	(26)	-
	Cash flow adequacy ratio (%)	(Note 3)	(Note 3)	103	84	49	-
	Cash investment ratio (%)	(1)	5	9	10	(22)	-
Leverage	Operating leverage	12	30	29	7	19	-
	Financial leverage	1.18	1.76	1.49	1	1.28	-

Please explain the reasons for the changes in the financial ratios for the most recent two years (Analysis can be exempted if the change is less than 20%)

(1) Debt to assets ratio: Increased, mainly due to the increase in short-term loans.
(2) Quick ratio: Decreased, mainly due to the increase in short-term loans.
(3) Interest coverage multiplier: decreased, mainly due to the decrease in net profit before tax and increase in interest expenses.
(4) Inventory turnover ratio (times): decreased, mainly due to the slower working off of inventory during the period.
(5) Average sales days: increased, mainly due to the decrease in willingness to purchase from midstream and downstream due to inflation.
(6) Return on Assets: decreased, mainly due to the decrease in overall revenue.
(7) Return on equity: decreased, mainly due to the decrease in overall revenue.
(8) Net profit before tax to paid-in capital ratio: decreased, mainly due to the decrease in overall revenue.
(9) Net profit margin: decreased, mainly due to the decrease in overall revenue.
(10) Earnings per share (NTD): decreased, mainly due to the decrease in overall revenue.
(11) Cash flow ratio: decreased, mainly due to the slow working off of inventories which could not be cashed out quickly.
(12) Cash flow adequacy ratio: decreased, mainly due to the slow working off of inventories which could not be cashed out quickly.
(13) Cash reinvestment ratio: decreased, mainly due to the net inflows of funds from operations were smaller than the net outflows of funds from operations.
(14) Operating leverage: Increased, mainly due to the decrease in overall revenue for the period.
(15) Financial leverage: increased, mainly due to the decrease in overall revenue for the period.

Note 1: CPAs has completed the audits from 2018 to 2022.
2: As of the date of publication of the Annual Report, the first quarter of 2023 has not yet been reviewed by CPAs.
3: At the end of this table, the following formula should be shown:
1. Capital structure
(1) Debt to assets ratio = total liabilities/total assets
(2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment
2. Solvency
(1) Current ratio = current assets/current liabilities
(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
(3) Interest coverage multiplier = net profit before tax and interest expense/interest expense for the period
3. Operating performance
(1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).
(2) Average collection days = 365/accounts receivable turnover rate
(3) Inventory turnover rate = costs of goods sold/average inventory
(4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).
(5) Average sales days = 365/inventory turnover rate
(6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
(7) Total assets turnover rate = net sales/average total assets
4. Profitability
(1) Return on assets = [net profit after tax + interest expense x (1 - tax rate)]/average total assets.
(2) Return on equity = net profit after tax/average total equity.
(3) Net profit margin = net profit after tax/net sales.
(4) Earnings per share = (net profit attributable to shareholders of the parent - preferred stock dividend)/weighted average number of shares outstanding (Note 4).
5. Cash flows
(1) Cash flow ratio = net cash flow from operating activities/current liabilities.
(2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividends for the most recent 5 years
(3) Cash investment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals). (Note 5)
6. Leverage
(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits.
(2) Financial leverage = operating profits / (operating profits - interest expense).

Note 5: Special attention should be paid to the following when measuring earnings per share with the above calculation formula:
1. Based on the weighted-average number of common shares rather than the number of shares outstanding at the end of the year.
2. Where there is cash capital increase or treasury stock transactions, the weighted average number of shares should be used considering the period of circulation.
3. Where there is a capital increase by retained earnings or capital surplus, when calculating the annual or semi-annual earnings per share for previous years, retrospective adjustments should be made in proportion to the capital increase, regardless of the issuance period of such capital increase.
4. If the preferred shares are non-convertible and cumulative, their dividends for the current year (whether paid or not) should be deducted from the net profit after tax, or added to the net losses after tax. If the preferred shares are non-cumulative, their dividends should be deducted from net profit after tax if there are net profits after tax; if there are net losses, no adjustment is required.

Note 6: Special attention should be paid to the following in performing cash flow analysis.
1. Net cash flow from operating activities represents the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures represent the annual cash outflows from capital investments.
3. Increase in inventory is included only if the ending balance is greater than the beginning balance, or zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common stock and preferred stock.
5. Gross property, plant and equipment represents the total amount of property, plant and equipment before accumulated depreciation.

Note 7: The issuer should distinguish between fixed and variable operating costs and operating expenses according to their nature, and where estimates or subjective judgments are involved, pay attention to the reasonableness and maintain consistency.

Note 8: If the Company's stock has no face value or the face value per share is not NT$10, the ratios related to paid-in capital in the preceding paragraph should be replaced with the ratio of equity attributable to shareholders of the parent in the balance sheet.

III. Audit Committee’s Review Report on the financial statements for the most recent year

Audit Committee’s Review Report

The Board of Directors has prepared the Company's 20122 business report, financial statements and earnings distribution proposal. CPAs Po-Shu Huang and Chung-Shun Wu from KPMG have audited the financial statements and issued an independent auditor’s report with an unqualified opinion The aforementioned business report, financial statements, and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee. In accordance with relevant requirements of the Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this review report is hereby submitted.

To

The 2023 Regular Shareholders’ Meeting of the Company

Convener of the Audit Committee: Shu-Chin Liang 梁淑琴

February 23, 2023

IV. Financial statements for the most recent year and independent auditor's report: refer to pages 64-107 of this Annual Report, Appendices.

V. The Company's parent company only financial statements audited and attested by CPAs for the most recent year: not applicable.

VI. If the Company or any of its affiliates had, in the most recent year and the current year up to the date of publication of this Annual Report, experienced financial distress and the impact on the Company's financial position: no such situation.

Seven. Review and Analysis of Financial Position, Financial Performance and Risks

I. Financial position

Unit: Thousands of NTD

Year / Item	2021	2022	Difference	
			Amount	%
Current assets	905,103	1,151,069	245,966	27.18
Property, plant and equipment	1,084,743	1,040,192	(44,551)	(4.11)
Right-of-use assets	3,904	2,434	(1,470)	(37.65)
Other non-current assets	13,399	20,294	6,895	51.46
Total assets	2,007,149	2,213,989	206,840	10.31
Current liabilities	697,950	974,181	276,231	39.58
Non-current liabilities	58,209	50,246	(7,963)	(13.68)
Total liabilities	756,159	1,024,427	268,268	35.48
Stock capital	975,000	975,000	0	0
Capital surplus	10,502	10,530	28	0.27
Retained earnings	265,488	204,032	(61,456)	(23.15)
Total equity	1,250,990	1,189,562	(61,428)	(4.91)
Total liabilities and liabilities	2,007,149	2,213,989	206,840	10.31

Explanation for significant changes: (Analysis can be exempted if the change is less than 20%)

(1) The increase in current assets was mainly due to the increase in inventories.
(2) The decrease in right-of-use assets was mainly due to the increase in depreciation (decrease in net value) of leased assets (management's company cars)
(3) The increase in other non-current assets was mainly due to the increase in prepayments for equipment.
(4) The increase in current liabilities was mainly due to the increase in short-term loans.
(5) The decrease in retained earnings was mainly due to the distribution of dividends in 2021.

II. Financial performance

(I) Comparative analysis of operating results

Unit: Thousands of NTD

Item \ Year	2021	2022	Increase or decrease	Change percentage (%)
Operating revenue	1,526,451	1,168,598	(357,853)	(23.4)
Operating costs	1,263,203	1,032,615	(230,588)	(18.3)
Operating gross profit	263,248	135,983	(127,265)	(48.3)
Operating expenses	80,814	73,222	(7,592)	(9.4)
Operating profit	182,434	62,761	(119,673)	(65.6)
Non-operating income and expense	(3,600)	(3,735)	(135)	3.8
Net profit before tax from continuing operations	178,834	59,026	(119,808)	(67.0)
Less: Income tax expense	35,485	11,807	(23,678)	(66.7)
Net profit for the period	143,349	47,219	(96,130)	(67.1)
Other comprehensive income:				
Items not reclassified to profit or loss:				
Remeasurement of defined benefit plan	(4,640)	8,325	12,965	(279.4)
Income taxes related to items not reclassified		-	-	-
Other comprehensive income for the period (net of tax)	(4,640)	8,325	12,965	(279.4)
Total comprehensive income for the period	138,709	55,544	(83,165)	(60.0)

Analysis of changes in percentage: (Analysis can be exempted if the change is less than 20%)

(1) Operating revenue: decreased, mainly due to sluggish market demand as a result of rising inflation, rising interest rates and the war between Russia and Ukraine.
(2) Gross profit: decreased, mainly due to the decrease in revenue and increase in cost of goods sold as a result of the decrease in production.
(3) Operating profit: decreased, mainly due to the decrease in gross profit as a result of the overall poor sales in the period.
(4) Net profit before tax from continuing operations: decreased, mainly due to the decrease in gross profit as a result of the overall poor sales in the period.
(5) Income tax expense: decreased, mainly due to the decrease in net profit before tax for the period.
(6) Net profit for the period: decreased, mainly due to the decrease in gross profit as a result of the overall poor sales in the period.
(7) Remeasurement of defined benefit plan: increased, mainly due to the adjustment of actuarial benefits for the period.
(8) Other comprehensive income (net of tax) for the period: increased, as mentioned in (7).
(9) Total other comprehensive income for the period: decreased, mainly due to the poor overall operating performance.

(II) Analysis of changes in operating profit (2021 and 2022)

Unit: Thousands of NTD

Product	Increase (decrease) between the two periods	Reason for the difference			
		Selling price difference	Cost difference	Sales mix difference	Quantity difference
Steel wires	(15,860)	(52,945)	(37,085)	(10,341)	(2,373)
Steel bars	(76,914)	(289,756)	(212,842)	173	(9,099)
Subtotal	(92,774)	(342,701)	(249,927)	(10,168)	(11,472)
Others	(3,454)				
Total	(96,228)				
Description	The decrease in gross profit was mainly due to lower revenue, lower steel prices and higher manufacturing costs.				

III. Cash flows

(I) Liquidity analysis for the last two years

Item / Year	2021	2022	Increase (Decrease) %
Cash flow ratio (%)	30	(26)	(187)
Cash flow adequacy ratio (%)	84	49	(42)
Cash investment ratio (%)	10.2	(22)	(316)

Analysis of changes in percentage: (Analysis can be exempted if the change is less than 20%)
The decrease in cash flow ratio was mainly due to the negative working capital in the current period.
The decrease in the cash flow adequacy ratio was mainly due to the increase in inventories.
The decrease in cash reinvestment ratio was mainly due to the negative working capitals in the current period.

(II) Cash flow analysis for the coming year

Unit: Thousands of NTD

Cash balance at the beginning of the period	Net cash flows from operating activities for the year	Cash inflows (outflows) for the year	Cash surplus	Remedies for cash shortage	
				Investing plan	Financing plan
88,763	185,000	(169,125)	104,638	-	-

1. Cash flow analysis for the 2023:
   (1) Operating activities: the estimated net cash inflows are approximately $185,000 thousand.
   (2) Investing activities: reserve account deposits will decrease by $20,000 thousand and capital expenditures shall be $55,000 thousand.
   (3) Financing activities: bank loans will decrease by $100,000 thousand and dividend payment shall be $34,125 thousand.
2. Remedies for estimated cash shortage and liquidity analysis: no cash shortage is expected.

IV. Material capital expenditures in the most recent year and the impact on finance and business matters

The amount of fully automatic pickling equipment invested in 2018~2019 has no significant impact on finance and business matters.
There were no significant capital expenditures from 2021 to 2022.

V. Investment policy in enterprises for the most recent year, the main reasons for profit or loss, improvement plan and investment plan for the coming year:

(I) Investment policy in enterprises: since July 2014, the Company has not had any investments in any companies.

(II) The main reasons for profit or loss: after the city lockdown in Mainland China in April 2022, market demand dropped rapidly. In addition, consumers shopped less due to the significant increase in inflation and interest rate hike, and demand in the end market was sluggish, resulting in a significant decline in revenue and profit for 2022 compared to 2021.

(III) Improvement plan: continue to control costs and actively explore new customers and overseas markets.

(IV) Investment plan for the coming year

VI. Risk analysis and assessment:

(I) The impact of changes in interest rate and exchange rate, and inflation on the Company's profit or loss for the most recent year and future countermeasures

1. Change in interest rate:
   (1) Impact on the Company's profit or loss: interest expense increased significantly in 2022 due to the impact of interest rate increase and increase in inventory, accounting for approximately 1.17% of revenue.
   (2) Future countermeasures: in 2023, with the gradual working off of inventory, the interest expense should be significantly lower than in 2022.
2. Change in exchange rate:
   (1) Impact on the Company's profit or loss:
   In 2022, due to the large depreciation of NTD against USD, it was favorable for the USD assets in the accounting book when converted into NTD, and the net exchange gain of the conversion was $8,505 thousand, accounting for 14% of the net profit before tax, which had a significant impact on the Company's profit or loss for the year.
   (2) Future countermeasures:
   A. When the sales units quote to customers, they need to consider the possible impact of exchange rate changes and adopt a more stable and conservative exchange rate as the basis for quotation so as to minimize the impact of exchange rate fluctuations on the profitability of sales orders.
   B. Closer monitoring of exchange rate trends and careful selection of timing for foreign currency borrowing and repayment; in addition, appropriate exchange rate hedging to stabilize purchase costs or foreign currency assets through forward exchange operations.
   C. Collect relevant information on exchange rate changes on a regular basis, fully keep abreast of the domestic and foreign financial situation, and timely evaluate whether to convert or continue to hold foreign currency assets or foreign currency liabilities to reduce the risk of exchange rate changes.
3. Inflation:
   (1) Impact on the Company's profit or loss: in 2022, the market demand declined rapidly, inflation increased significantly, and consumers reduced their purchases. The Company's profit or loss was significantly affected by the sluggish demand in the end market.
   (2) Future countermeasures: the inflation rate will decrease in 2023 and adjustment will be made according to the trend of changes.

(II) The Company's policy on high-risk, high-leverage investments, lending of funds to others, endorsement and guarantee, and derivative transactions, the main reasons for profit or loss, and future countermeasures

1. Engaged in high-risk activities: no such activities.
2. Engaged in high-leverage investments: no such activities.
3. Engaged in lending of funds to others: no such activities.
4. Engaged in endorsement and guarantee: no such activities.
5. Engaged in derivative transactions: no such activities.
6. Profit or loss from the above: not applicable.

(III) Future research and development plans and estimated research and development expenses: no such situation.

(IV) Impact of changes in domestic and foreign important policies and laws on the Company's finance and business matters and countermeasures: no such situation.

(V) Impact of technological and industrial changes on finance and business matters of the Company, and countermeasures: no such situation.

(VI) Impact of corporate image change on corporate crisis management and countermeasures: no such situation.

(VII) Expected benefits, possible risks to mergers and acquisitions and countermeasures: no such situation.

(VIII) Expected benefits, possible risks and countermeasures for plant expansion: no such situation.

(IX) Risks associated with the concentration of purchases or sales and countermeasures:

1. Purchases: our domestic purchases are mainly from China Steel, supplemented by FENG HSIN. Although the proportion of purchases from China Steel is as high as 62%, this has been a common phenomenon in the industry in Taiwan for many years, and China Steel is a world-renowned blast furnace steel mill, and its quality and material supply stability is high, and is widely affirmed by its downstream customers; overseas imports are mainly from Japanese steel mills, supplemented by European and Korean steel mills, and the Company maintains long-term friendly and stable material supply relationships with upstream steel mills.
2. Sales: the largest single customer accounted for 8% of the total revenue in 2022, which was still within the manageable risk range.

(X) Impact on the Company and risks of the massive transfer or change of ownership of directors, supervisors or major shareholders with 10% ownership or more in the most recent year and countermeasures: no such situation.

(XI) Impact and risks associated with changes in management: not applicable and countermeasures: no such situation.

(XII) For litigation or non-litigation events, if the Company, its directors, supervisors, general Manager, de facto persons in charge, major shareholders with more than 10% ownership, or subordinate companies have been convicted by final and binding judgments or are still bound by significant litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices, the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved and the handling of the case as of the date of publication of the Annual Report shall be disclosed:

i. For the last two years and the current year up to the date of publication of the Annual Report, significant litigation, non-litigation or administrative disputes involving the Company that have been finalized and binding or are still pending: no such situation

ii. For the last two years and the current year up to the date of publication of the Annual Report, significant litigation, non-litigation or administrative disputes involving the Company’s directors, supervisors, president, de facto person in charge or major shareholders with 10% ownership or more that have been finalized and binding or are still pending: no such situation

iii. If the directors, supervisors, managerial officers, and major shareholders with more than 10% ownership of the Company had any of the matters stipulated in Article 157 of the Securities and Exchange Act (disgorgement) for the last two years and the current year up to the date of publication of the Annual Report and the Company’s current handling of the matters: no such situation.

(XIII) Other major risks and countermeasures:

The Company's information security risk assessment is implemented in accordance with the Company's "Information Security Management Regulations" and the actual operations are as follows:

1. Computer operating environment: a dedicated computer room is set up, and all personnel are prohibited from entering or leaving the room for hardware and software operations except for those who are necessary and permitted.
2. Data backup and management: regular or irregular system and data backup is made according to practical needs, with off-site backup mechanism.
3. External data management: all e-mails to and from customers or information exchange must pass through our firewall filtering management to prevent improper intrusion from endangering information security.
4. We attend and hold seminars and courses on information security maintenance, and through the exchange of experiences and opinions of information security experts, we obtain solutions in the ever-changing information security environment, which serve as a guideline for the establishment of the Company's information security.

VII. Other important matters: none

Eight. Special Matters

I. Information on affiliates

(I) Affiliate profile. On June 30, 2014, the Company indirectly transferred the management right of its China plant (i.e. CHIH LIEN STEEL WIRE & STEEL ROPE (DONGGUAN) CO., LTD.) by disposing of the shares of the Company’s only subsidiary, Tai Union Inc. (ownership transfer completed). The Company no longer has had any investment in any subsidiary since July 2014.

(II) Consolidated financial statements of affiliates and affiliation report: not applicable.

II. Private placement of securities during the most recent year or during the current year up to the date of publication of the Annual Report: no such situation.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent year or during the current year up to the date of publication of the Annual Report: NA.

IV. Other matters that require additional explanation: none.

Nine. Any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, which has occurred during the most recent year or during the current year up to the date of publication of the Annual Report: no such situation.

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Independent Auditor's Report

To the Board of Directors of CHIH LIEN INDUSTRIAL CO., LTD.

Audit Opinion

We have audited the accompanying consolidated balance sheets of CHIH LIEN INDUSTRIAL CO., LTD. as of December 31, 2022 and 2021, and the related comprehensive income statements, statement of changes in shareholders' equity, cash flow statements, and notes to the parent company only financial statements (including significant accounting policies) for the years then ended.

In our opinion, with the parent company only financial statements referred to above present fairly, in all material respects, the consolidated financial position of CHIH LIEN INDUSTRIAL CO., LTD. as of December 31, 2022 and 2021, and its consolidated 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 statements by securities issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations endorsed and issued into effect by the Financial Supervisory Commission

The basis for opinion

We concluded our audits in accordance with the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the parent company only financial statements. We are independent of CHIH LIEN INDUSTRIAL CO., LTD. in accordance with the Code of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent auditors, we believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2022 parent company only financial statements of CHIH LIEN INDUSTRIAL CO., LTD. These matters were addressed in the content of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinions on those matters. The key audit matters that, in our opinion, should be communicated in the audit report are as follows:

I. Revenue recognition

Please refer to Notes 4(11) and 6(13) to the parent company only financial statements for disclosures related to revenue recognition.

Description of key audit matters:

CHIH LIEN INDUSTRIAL CO., LTD. is mainly engaged in the manufacturing, processing and trading of steel wire and steel bars. Sales revenue is a key indicator for users of financial reports to evaluate the financial or business performance of CHIH LIEN INDUSTRIAL CO., LTD., and is one of the indicators for measuring the performance of management. The assumptions or judgments used to measure and recognize revenue rely on management's subjective judgment, so revenue recognition is a key audit matter.

The corresponding audit procedures:

Our audit procedures included examining the effectiveness of the design and implementation of internal control over sales revenue recognition, evaluating CHIH LIEN INDUSTRIAL CO., LTD.'s revenue recognition process, reviewing the terms of the related customer sales contracts, and assessing whether or not CHIH LIEN INDUSTRIAL CO., LTD.'s revenue recognition policies were in accordance with the relevant accounting standards. In addition, we conducted a trend analysis on the top ten customers or customers with sales amounting to more than 5% of the operating revenue and the revenue of each product category of CHIH LIEN INDUSTRIAL CO., LTD. to assess whether or not there were any significant abnormalities. For the new sales customers that were related parties and the new top ten sales customers during the period, the contract terms and transactions before and after the balance sheet date were reviewed to assess whether or not there were any significant anomalies; in addition, the sales revenue transactions were tested to assess whether or not the sales revenue covered the appropriate period.

II. Subsequent measurement of inventories

Please refer to Notes 4(7), 5 and 6(4) to the financial statements for disclosures related to subsequent measurement of inventories.

Description of key audit matters:

The inventories of CHIH LIEN INDUSTRIAL CO., LTD. consist of various types of steel wires and steel bars. Inventories are measured at the lower cost or net realizable value. Since the prices of CHIH LIEN INDUSTRIAL CO., LTD.'s major raw materials fluctuate widely, inventories may not reflect market changes in a timely manner, resulting in the cost of inventories exceeding their net realizable value. Therefore, the subsequent measurement of inventories is a key audit matter.

The corresponding audit procedures:

Our audit procedures included obtaining an inventory valuation calculation to understand the reasonableness of management's accounting policies for inventory measurement; reviewing the inventory aging statement and analyzing changes in inventory aging; obtaining a schedule of inventory measurement and evaluating the reasonableness of the net realizable value basis used by management; and selecting a sample to obtain relevant certificates to assess whether or not inventories are measured at the lower of cost or net realizable value.

III. Related party transactions

Please refer to Note 7 to the financial statements for the related disclosures of related party transactions.

Description of key audit matters:

The transactions between CHIH LIEN INDUSTRIAL CO., LTD. and related parties are mainly related to processing revenue. Whether or not the related party transactions were managed in accordance with relevant regulations, and whether or not the prices and terms of transactions were not significantly different from those of ordinary customers or vendors, and whether or not they were properly disclosed.

The corresponding audit procedures:

Our audit procedures included understanding and testing the effectiveness of the design and implementation of internal control systems for related party transactions; obtaining a schedule of related party transactions to confirm the completeness of the information; reviewing the gross profit analysis and transaction terms of related party transactions to confirm that the transaction prices and payment terms were not significantly different from those of ordinary customers or vendors; reviewing the aging analysis of accounts receivable from related parties to ensure that there were no overdue payments; and reviewing whether or not the related transactions were properly disclosed.

Responsibilities of Management and Those in Charge with Governance of the Parent Company Only Financial Statements

The management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers, and for such internal control as the management determines is necessary to enable the preparation of the parent company only financial statements to be free from material misstatement whether due to fraud or error.

In preparing the parent company only financial statements, the management is also responsible for assessing the ability of CHIH LIEN INDUSTRIAL CO., LTD. as a going concern, disclosing as applicable, matters related to a going concern and using the going concern basis of accounting. Unless the management either intends to liquidate CHIH LIEN INDUSTRIAL CO., LTD. or to cease operations, or has no other realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of the financial statements of CHIH LIEN INDUSTRIAL CO., LTD.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue the auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that and audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error If fraud or errors are considered material, parent company only or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following tasks:

1. Identified and assessed the risks of material misstatement of the parent company only financial statements, whether due to fraud or error; design, and perform countermeasures for assessed risks; and obtain evidence that is sufficient and appropriate to provide a basis of audit 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. Obtained 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 effective in CHIH LIEN INDUSTRIAL CO., LTD.
3. Evaluated the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by management.
4. Concluded the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CHIH LIEN INDUSTRIAL CO., LTD. to continue as a going concern. If we concluded that a material uncertainty exists, we were

required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions were based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause CHIH LIEN INDUSTRIAL CO., LTD. to cease as a going concern.

5. Evaluated the overall presentation, structure, and content of the parent company only statements, including related notes, whether the parent company only statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those in charge of 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 provided 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 in charge of governance, we determined those matters that were of most significance in the audit of the 2022 parent company only financial statements of CHIH LIEN INDUSTRIAL CO., LTD. and are therefore the key audit matters. We described 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 communications.

KPMG

CPAs: Po-Shu Huang

Chung-Shun Wu

Approval letter for attestation: issued by the competent securities authority: Tai-Cai-Zheng-Liu-Zi No. 0920122026
Jin-Guan-Zheng-Shen-Zi No. 1090332798

February 23, 2023

Balance Sheets

December 31, 2022 and 2021

Unit: Thousands of NTD

	Assets	2022.12.31 Amount	%	2021.12.31 Amount	%
11xx	**Current assets**				
1100	Cash and cash equivalents (Note 6(1))	$ 88,763	4	127,876	7
1110	Financial assets at fair value through profit or loss - current (Note 6(2))	975	-	1,008	-
1137	Financial assets at amortized cost - current (Notes 6(2) and 8)	60,899	3	48,281	2
1150	Notes receivable (Notes 6(3), (13) and 8)	43,080	2	58,432	3
1160	Notes receivable - related parties (Notes 6(3), (13), 7 and 8)	2,938	-	6,002	-
1170	Accounts receivable, net (Notes 6(3) and (13))	144,624	6	166,157	8
1180	Accounts receivable - related parties (Notes 6(3), (13) and 7)	1,453	-	5,697	-
1200	Other receivables	214	-	539	-
130x	Inventories (Note 6(4))	789,337	36	475,225	24
1479	Prepayments and other current assets	18,786	1	15,886	1
	Total current assets	1,151,069	52	905,103	45
15xx	**Non-current assets:**				
1600	Property, plant and equipment (Notes 6(5) and 8)	1,040,192	47	1,084,743	55
1755	Right-of-use assets (Note 6(6))	2,434	-	3,904	-
1840	Deferred income tax assets (Note 6(10))	4,443	-	4,672	-
1915	Prepayments for equipment	12,471	1	5,267	-
1990	Other non-current assets:	3,380	-	3,460	-
	Total non-current assets	1,062,920	48	1,102,046	55
1xxx	**Total assets**	$ 2,213,989	100	2,007,149	100

	Liabilities and Equity	2022.12.31 Amount	%	2021.12.31 Amount	%
21xx	**Current liabilities:**				
2100	Short-term loans (Notes 6(3), (7) and 8)	$ 722,328	33	313,329	15
2110	Short-term bills payable (Notes 6(7) and 8)	29,978	1	59,938	3
2320	Long-term loans due within one year (Notes 6(7) and 8)	47,940	2	51,714	3
2150	Notes payable	63	-	20,857	1
2160	Notes payable - related parties (Note 7)	-	-	22	-
2171	Accounts payable	106,819	5	158,004	8
2180	Accounts payable - related parties (Note 7)	96	-	34	-
2219	Other payables (Note 6(14))	47,148	2	50,725	3
2230	Current income tax liabilities	11,575	1	34,045	2
2281	Lease liabilities - current (Note 6(8))	1,825	-	2,388	-
2399	Other current liabilities	6,409	-	6,894	-
	Total current liabilities	974,181	44	697,950	35
25xx	**Non-current liabilities:**				
2540	Long-term loans (Notes 6(7) and 8)	47,917	2	45,857	2
2581	Lease liabilities - non-current (Note 6(8))	619	-	1,579	-
2640	Net defined benefit liabilities (Note 6(9))	1,710	-	10,773	1
	Total non-current liabilities	50,246	2	58,209	3
2xxx	**Total liabilities**	1,024,427	46	756,159	38
31xx	**Equity (Note 6(11)):**				
3100	Capital stock	975,000	44	975,000	49
3200	Capital surplus	10,530	1	10,502	1
3300	Retained earnings:				
3310	Legal reserve	63,042	3	49,171	2
3350	Undistributed earnings	140,990	6	216,317	10
		204,032	9	265,488	12
3xxx	**Total equity**	1,189,562	54	1,250,990	62
2-3xxx	**Total liabilities and liabilities**	$ 2,213,989	100	2,007,149	100

(Please refer to the attached notes to the financial statements)

Chairperson: Chung-Liang Pan　　Managerial Officer: Chen-Wang Hsieh　　Accounting Officer: Ming-Yuan Chiu

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CHIH LIEN INDUSTRIAL CO., LTD.

Statements of Comprehensive Income

January 1 to December 31, 2022 and 2021

Unit: Thousands of NTD

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue (Notes 6(13) and 7)**	$ 1,168,598	100	1,526,451	100
5000	**Operating costs (Notes 6(4), (5), (9), (14) and 7)**	1,032,615	89	1,263,203	83
5900	**Operating gross profit**	135,983	11	263,248	17
6000	**Operating expenses (Notes 6(3), (5), (6), (9), (14) and 7):**				
6100	Selling expenses	38,486	3	45,422	3
6200	Administrative expenses	34,678	3	35,531	2
6450	Expected credit impairment loss (reversal gain)	58	-	(139)	-
	Total operating expenses	73,222	6	80,814	5
6900	**Net operating profit**	62,761	5	182,434	12
7000	**Non-operating income and expense (Notes 6(8) and (15))**				
7100	Interest income	483	-	215	-
7010	Other income	1,007	-	2,157	-
7020	Other gain or loss	8,410	1	1,099	-
7050	Financial costs	(13,635)	(1)	(7,071)	-
	Total non-operating income and expense	(3,735)	-	(3,600)	-
	Net profit before tax from continuing operations	59,026	5	178,834	12
7950	**Less: Income tax expense (Note 6(10))**	11,807	1	35,485	3
	Net profit for the period	47,219	4	143,349	9
8300	**Other comprehensive income (Note 6(9))**				
8310	**Items not reclassified to profit or loss**				
8311	Remeasurement of defined benefit plan	8,325	1	(4,640)	-
8349	Less: Income taxes related to items not reclassified	-	-	-	-
	Total items not reclassified to profit or loss	8,325	1	(4,640)	-
8300	**Other comprehensive income for the period**	8,325	1	(4,640)	-
	Total comprehensive income for the period	$ 55,544	5	138,709	9
9750	**Basic earnings per share (Unit: NTD) (Note 6(12))**	$	0.48		1.47
9850	**Diluted earnings per share (Unit: NTD) (Note 6(12))**	$	0.48		1.47

(Please refer to the attached notes to the financial statements)

Chairperson: Chung-Liang Pan Chiu　Managerial Officer: Chen-Wang Hsieh　Accounting Officer: Ming-Yuan

CHIH LIEN INDUSTRIAL CO., LTD.

Statements of Changes in Equity

January 1 to December 31, 2022 and 2021

Unit: Thousands of NTD

	Common stock capital	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Undistributed earnings	Retained earnings: Total	Total equity
Balance as of January 1, 2021	$ 975,000	10,438	46,393	104,761	151,154	1,136,592
Earnings appropriation and distribution:						
Provision for legal reserve	-	-	2,778	(2,778)	-	-
Cash dividends on common stock	-	-	-	(24,375)	(24,375)	(24,375)
Changes in other capital surplus	-	64	-	-	-	64
Net profit for the period	-	-	-	143,349	143,349	143,349
Other comprehensive income for the period	-	-	-	(4,640)	(4,640)	(4,640)
Total comprehensive income for the period	-	-	-	138,709	138,709	138,709
Balance as of December 31, 2021	975,000	10,502	49,171	216,317	265,488	1,250,990
Earnings appropriation and distribution:						
Provision for legal reserve	-	-	13,871	(13,871)	-	-
Cash dividends on common stock	-	-	-	(117,000)	(117,000)	(117,000)
Changes in other capital surplus	-	28	-	-	-	28
Net profit for the period	-	-	-	47,219	47,219	47,219
Other comprehensive income for the period	-	-	-	8,325	8,325	8,325
Total comprehensive income for the period	-	-	-	55,544	55,544	55,544
Balance as of December 31, 2022	$ 975,000	10,530	63,042	140,990	204,032	1,189,562

(Please refer to the attached notes to the financial statements)

Chairperson: Chung-Liang Pan **Managerial Officer: Chen-Wang Hsieh** **Accounting Officer: Ming-Yuan Chiu**

CHIH LIEN INDUSTRIAL CO., LTD.

Statements of Cash Flows

January 1 to December 31, 2022 and 2021

Unit: Thousands of NTD

		2022	2021
Cash flows from operating activities:			
Net profit before tax for the period	$	59,026	178,834
Adjustments:			
Income and expense items			
Depreciation expense		71,385	71,501
Amortization expense		351	305
Expected credit impairment loss (reversal gain)		58	(139)
Interest expense		13,635	7,071
Interest income		(483)	(215)
Dividends income		-	(84)
Total income and expense items		84,946	78,439
Changes in assets/liabilities related to operating activities.			
Net changes in assets related to operating activities.			
Financial assets mandatorily measured at fair value through profit or loss		33	7,186
Notes receivable		15,352	(8,703)
Notes receivable - related parties		3,064	1,050
Accounts receivable (including long-term receivables)		21,475	40,453
Accounts receivable - related parties		4,244	(2,595)
Other receivables		325	1,244
Inventories		(314,112)	(154,268)
Prepayments and other current assets		(2,900)	(12,544)
Total net changes in assets related to operating activities.		(272,519)	(128,177)
Net changes in liabilities related to operating activities.			
Notes payable		(20,794)	6,630
Notes payable - related parties		(22)	22
Accounts payable		(51,185)	59,518
Accounts payable - related parties		62	34
Other payables		(3,979)	16,107
Other current liabilities		(485)	(1,489)
Net defined benefit liabilities		(738)	(365)
Total net changes in liabilities related to operating activities.		(77,141)	80,457
Total net changes in assets and liabilities related to operating activities.		(349,660)	(47,720)
Total adjustments		(264,714)	30,719
Cash (outflows) inflows from operations		(205,688)	209,553
Interests received		483	215
Dividends received		-	84
Interests paid		(13,378)	(7,009)
Income tax refunds (paid)		(34,048)	4,096
Net cash (outflows) inflows from operating activities		(252,631)	206,939
Cash flows from investing activities:			
Increase in financial assets at amortized cost		(12,618)	(1,791)
Acquisition of property, plant and equipment		(21,094)	(36,465)
Increase in other non-current assets:		(271)	(1,100)
Increase in prepayments for equipment		(10,289)	(5,267)
Net cash outflows from investing activities		(44,272)	(44,623)
Cash flows from financing activities:			
Increase in short-term loans		2,025,380	505,464
Decrease in short-term loans		(1,617,086)	(547,319)
Decrease in short-term bills payable		(30,000)	-
Borrowing of long-term loans		50,000	-
Repayment of long-term loans		(51,714)	(101,214)
Repayment of lease principals		(2,523)	(2,353)
Distribution of cash dividends		(117,000)	(24,375)
Overdue unpaid dividends		28	64
Net cash inflows (outflows) from financing activities		257,085	(169,733)
Effect of changes in exchange rate on cash and cash equivalents		705	(1,326)
Decrease in cash and cash equivalents for the period		(39,113)	(8,743)
Cash and cash equivalents at the beginning of the period		127,876	136,619
Cash and cash equivalents at the end of the period	$	88,763	127,876

(Please refer to the notes to the financial statements attached at ☐)

Chairperson: Chung-Liang Pan **Managerial Officer: Chen-Wang Hsieh** **Accounting Officer: Ming-Yuan Chiu**

CHIH LIEN INDUSTRIAL CO., LTD.
Notes to the Financial Statements
2022 and 2021
(All amounts are in thousands of NTD unless otherwise stated)

I. Company History

CHIH LIEN INDUSTRIAL CO., LTD. (hereinafter referred to as the Company) was established on September 3, 1973 in accordance with the provisions of the Company Act. The Company is mainly engaged in the manufacturing, processing and trading of steel wire and steel bars.

II. Date and Procedure for Approval of Financial Statements

This financial statements were approved and issued by the Board of Directors on February 23, 2023.

III. Adoption of Newly Issued and Revised Standards and Interpretation

(I) Effect of adopting the newly issued and revised standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

The Company adopted the following newly revised IFRSs effective January 1, 2022, with no material impact on financial statements

- Amendment to IAS 16 "Property, plant and equipment: price before reaching the intended state of use"
- Amendment to IAS 37 "Onerous Contracts - Cost of Performing Contracts"
- Annual Improvements to IFRSs for the 2018-2020 Cycle
- Amendment to IFRS 3 "Update the index of the conceptual framework."

(II) Effect of not adopting the IFRSs endorsed by the FSC

The Company assesses that the adoption of the following newly revised IFRSs, effective January 1, 2023, will not have a material impact on financial statements.

- Amendment to IAS 1 "Disclosure of Accounting Policies."
- Amendment to IAS 8 "Definition of Accounting Estimates."
- Amendment to IAS 12, "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction."

(III) Newly issued and revised standards and interpretations not yet endorsed by the FSC

The standards and interpretations newly issued and revised by the IASB but not yet endorsed by the FSC that may be relevant to the Company are as follows:

Newly issued or revised standards	**Major amendments**	**Effective date of Issuance by the IASB**
Amendment to IAS 1 "Classification of Liabilities as Current or Noncurrent"	Under current IAS 1, liabilities for which an enterprise does not have an unconditional right to defer settlement for at least 12 months after the reporting period should be classified as current. The amendment removes the requirement that the right should be unconditional and instead requires that the right must exist at the end of the reporting period and must be substantial. The amendment clarifies how an enterprise should classify liabilities that are settled by the issuance of its own equity instruments (*e.g.,* convertible bonds).	January 1, 2024
Amendment to IAS 1 “Non-current liabilities with contractual terms”	After reconsidering certain aspects of the 2020 amendment to IAS 1, the new amendment clarifies that only contractual terms followed on or before the reporting date will affect the classification of a liability as current or non-current. Contractual terms (*i.e.,* future terms) to be followed by the enterprise after the reporting date do not affect the classification of the liability at that date. However, when a non-current liability is subject to future contractual terms, the enterprise is required to disclose information to help users of financial statements understand the risk that the liability may be repaid within twelve months of the reporting date	January 1, 2024

The Company is continually evaluating the impact of these standards and interpretations on the Company's financial position and results of operations, and will disclose the impact when the evaluation is complete.

The Company does not anticipate that other newly issued and revised standards that have not yet been endorsed will have a material impact on the financial statements.

IV. Summary of Significant Accounting Policies

The significant accounting policies adopted in the financial statements are summarized as follows: The following accounting policies have been applied consistently to all periods presented in the financial statements:

(I) Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Pronouncements (hereinafter referred to as "IFRSs") as endorsed by the FSC.

(II) Basis of Preparation

1. Basis of Measurement

The financial statements have been prepared on the historical cost basis, except as otherwise indicated (see the accounting policies for each item).

2. Functional and presentation currencies

The Company's functional currency is the currency of the primary economic environment in which it operates The functional currency of the Company, NTD, is used as the presentation currency for the financial statements. All financial information presented in NTD is expressed in thousands of NTD.

(III) Foreign currencies

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction dates. At each subsequent reporting date, monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rates at the date of measurement of the fair value, while non-monetary items measured at historical cost are translated at the exchange rates at the date of the transaction.

Exchange differences arising from foreign currency translations are generally recognized in profit or loss, except for the following, which are recognized in other comprehensive income:

1. equity instruments designated as at fair value through other comprehensive income
2. financial liabilities designated as net investment hedges of foreign operations within the effective hedge range; or
3. qualifying cash flow hedges within the effective hedge range.

(IV) Classification of assets and liabilities into current and non-current

Assets that meet one of the following criteria are classified as current assets, while all other assets that are not current assets are classified as non-current assets:

1. the asset is expected to be realized in the normal course of business or is intended to be sold or consumed.
2. the asset is held primarily for trading purposes.
3. the asset is expected to be realized within twelve months of the reporting period; or
4. the asset is cash or cash equivalents, unless the asset is otherwise restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Labilities that meet one of the following criteria are classified as current liabilities, while all other liabilities that are not current liabilities are classified as non-current liabilities:

1. the liability is expected to be settled in the normal course of business.
2. the liability is held primarily for trading purposes.
3. the liability is expected to be settled within twelve months after the reporting period; or
4. the liability does not have an unconditional right to defer settlement for at least 12 months after the reporting period. The terms of a liability that may be settled by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into fixed amounts of cash with minimal risk of changes in value. Time deposits that meet the above definition and are held to meet short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(VI) Financial instruments

Accounts receivable are recognized when they are originally generated. All other financial assets and liabilities are recognized when the Company becomes a party to the contractual terms of the financial instruments. Financial assets (other than accounts receivable that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are measured at transaction prices.

1. Financial assets

Purchases or sales of financial assets are accounted for on a consistent basis using trade date or settlement date accounting for all purchases and sales of financial assets classified in the same manner as those of conventional transactions.

On initial recognition, financial assets are classified as financial assets at amortized cost and financial assets at fair value through profit or loss.

The Company reclassifies all affected financial assets from the first day of the next reporting period only when the Company changes its operating model for managing financial assets.

(1) Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet the following criteria and are not designated as at fair value through profit or loss:

- The financial assets are held under the operating model whose objective is to collect the contractual cash flows.
- The contractual terms of the financial assets generate cash flows on specific dates solely for the payment of principal and interest on the outstanding principal amount.

These assets are subsequently measured at their originally recognized amounts plus or minus the cumulative amortization using the effective interest method, adjusted for any allowance for loss after amortization. Interest income, foreign currency exchange gain or loss and impairment loss are recognized in profit or loss. On derecognition, the gain or loss is recognized in profit or loss.

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

Financial assets that are not measured at amortized cost as described above are measured at fair value through profit or loss. The Company intends to sell the accounts receivable immediately or in the near future at fair value through profit or loss, but they are included in accounts receivable. On initial recognition, the Company may irrevocably designate financial assets that qualify as financial assets carried at amortized cost as financial assets at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches.

The net gain or loss (including any dividends and interest income) on these assets subsequently measured at fair value is recognized in profit or loss.

(3) Impairment of financial assets

The Company recognizes an allowance for expected credit losses on financial assets at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, long-term receivables and refundable deposits).

The following financial assets were measured as allowance for losses based on 12-month expected credit losses and the rest were measured as expected credit losses over the period:

- the credit risk of debt securities is determined to be low at the reporting date; and
- the credit risk of other debt securities and bank deposits (i.e., the risk of default over the expected life of the financial instruments) has not increased significantly since the initial recognition.

The allowance for losses on notes receivable and accounts receivable and contract assets is measured based on the expected credit loss amount over the period.

The expected credit loss over the expected life of the financial instrument is the expected credit loss arising from all possible defaults.

Twelve-month expected credit losses are the expected credit losses arising from possible defaults within twelve months after the reporting date (or for a shorter period, if the expected duration of the instrument is shorter than twelve months).

The maximum period for measuring expected credit losses is the maximum contractual period for which the Company is exposed to credit risk.

In determining whether or not the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information (available without excessive cost or input), including qualitative and quantitative information and analysis based on the Company's historical experience, credit evaluations and forward-looking information.

The Company assumes that the credit risk on financial assets has increased significantly if contractual amounts are more than 30 days overdue.

The Company considers a financial asset to be in default if the contracted amount is more than 90 days overdue or if it is unlikely that the borrower will meet its credit obligation to pay the Company in full.

The expected credit loss is a weighted estimate of the probability of credit loss over the expected life of the financial instrument Credit losses are measured at the present value of all cash shortages, which is the difference between the cash flows that the Company can receive under the contracts and the cash flows that the Company expects to receive. Credit losses are expected to be discounted at the effective interest rate of the financial assets.

At each reporting date, the Company assesses whether there is credit impairment on financial assets at amortized cost. A financial asset is credit impaired when one or more events have occurred that have an adverse effect on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes observable information about

- significant financial difficulties of the borrower or issuer.
- defaults, such as delays or overdue for more than ninety days.
- concessions made by the Company to the Borrower that it would not otherwise consider for economic or contractual reasons related to the Borrower's financial difficulties;
- the borrower is likely to file for bankruptcy or other financial reorganization; or
- the disappearance of an active market for the financial assets due to financial difficulties.

Allowance for losses on financial assets at amortized cost is deducted from the carrying amount of the assets.

When the Company cannot reasonably expect to recover all or part of a financial asset, the total carrying amount of the financial asset is directly reduced. For corporate accounts, the timing and amount of write-offs are analyzed on a case-by-case basis based on whether or not recovery is reasonably expected by the Company The Company does not expect any material reversal of the amount written off. However, financial assets that have been written off are still enforceable in order to comply with the Company's procedures for recovering overdue amounts.

(4) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset cease, or when the financial asset has been transferred and substantially all the risks and compensation of ownership of the asset have been transferred to another enterprise or when substantially all the risks and returns of ownership have neither been transferred nor retained and control of the financial asset has not been retained.

If the Company enters into a transaction to transfer a financial asset and retains all or substantially all of the risks and returns of the transferred asset, the transaction is recognized on the balance sheet on an ongoing basis.

2. Financial liabilities and equity instruments

(1) Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost and subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gain or loss are recognized in profit or loss. On de-recognition, any gain or loss is also recognized in profit or loss.

(2) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the contractual obligations are fulfilled, cancelled or expired. When the terms of a financial liability are modified and the cash flows of the modified liability are materially different, the original financial liability is de-recognized and the new financial liability is recognized at fair value on the basis of the modified terms.

When a financial liability is de-recognized, the difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis only when the Company has a legally enforceable right to do so and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(VII) Inventories

The original cost of inventories is the expenditure necessary to bring the inventories to a condition and location ready for sale or production, of which variable manufacturing overheads are allocated on the basis of actual production volume. Fixed manufacturing overheads are allocated to finished goods and work-in-process based on the normal production capacity of the production equipment. However, unallocated fixed manufacturing overheads resulting from lower production capacity or idle equipment should be recognized as cost of goods sold in the period in which they are incurred. If the actual production volume is higher than the normal production capacity, the actual production volume should be used to allocate the fixed manufacturing overheads. Cost is calculated using the monthly weighted-average method.

Inventories are subsequently measured at the lower of cost or net realizable value for each category of inventory. Net realizable value is calculated based on the estimated selling price under normal operations as of the balance sheet date, less costs and selling expenses to completion. If the cost of inventories exceeds the net realizable value, the cost of inventories is written down to the net realizable value and the amount of the write-down is recognized as cost of goods sold. If the net realizable value increases in subsequent periods, the increase in the net realizable value of inventories is reversed to the extent of the original reduction and is recognized as a reduction of cost of goods sold in the current period.

(VIII) Property, plant and equipment

1. Recognition and Measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment.

If the significant components of property, plant and equipment have different useful lives, they are treated as separate items of property, plant and equipment (major components).

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

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Company.

3. Depreciation

Depreciation is calculated on the basis of the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component.

Land is not subject to depreciation.

The estimated useful lives for the current and comparative periods are as follows:

Buildings and structures	3 to 36 years
Machinery and equipment	2 to 20 years
Other equipment	2 to 36 years

The Company reviews the depreciation method, useful life and residual value at each reporting date and makes appropriate adjustments as necessary.

(IX) Leases

The Company assesses whether a contract is a lease or contains a lease at the establishment date of the contract. A contract is or contains a lease if it transfers control over the use of an identified asset for a period of time in exchange for consideration.

1. Lessee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured initially at cost, which includes the original measurement of the lease liability, adjusted for any lease payments made on or before the lease commencement date, plus the original direct cost incurred and the estimated cost to disassemble, remove and restore the subject asset or to move to its location, less any lease incentives received.

Right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Company periodically assesses whether or not a right-of-use asset is impaired and addresses any impairment loss incurred, and adjusts the right-of-use asset when the lease liability is remeasured.

Lease liabilities are measured initially at the present value of the lease payments outstanding at the commencement date of the lease. If the implied interest rate of a lease is readily determinable, the discount rate is that rate. If it is not readily determinable, the Company's incremental borrowing rate is used. In general, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities consist of:

(1) fixed payments, including actual fixed payments;
(2) variable lease payments that depend on an index or rate, using the index or rate at the inception date of the lease as the original measure;
(3) the amount of the residual value guarantee expected to be paid; and
(4) the exercise price or penalty to be paid if it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised.

Lease liabilities are subsequently accrued for interest by using the effective interest method and are remeasured when any of the following circumstances occurs:

(1) a change in the index or rate used to determine lease payments resulting in a change in future lease payments;
(2) a change in the amount of the residual deposit expected to be paid;
(3) a change in the evaluation of the purchase option on the subject asset;
(4) a change in the estimate of whether to exercise the option to extend or terminate, resulting in a change in the assessment of the lease term;
(5) a change in the subject matter, scope or other terms of the lease.

When a lease liability is remeasured as a result of changes in the index or rate used to determine the lease payments, changes in the residual value guarantee amount and changes in the evaluation of the option to purchase, extend or terminate, the carrying amount of the right-of-use asset is adjusted accordingly and the remaining remeasurement amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease and the difference between the carrying amount and the remeasurement amount of the lease liability is recognized in profit or loss.

The right-of-use assets and lease liabilities that do not meet the definition of investment property are presented as separate line items in the balance sheet.

For short-term leases of transportation equipment and leases of low-value underlying assets, the Company elects not to recognize right-of-use assets and lease liabilities, and instead recognizes the related lease payments as expenses on a straight-line basis over the lease period.

2. Lessor

Transactions in which the Company is the lessor are classified as finance leases on the inception date of the lease based on whether or not the lease contracts transfer substantially all the risks and returns incidental to the ownership of the subject assets and if so, are classified as operating leases. In the evaluation, the Company considers specific indicators including whether the lease period covers a major portion of the economic life of the subject asset.

(X) Impairment of non-financial assets

The Company assesses at each reporting date whether or not there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated. Goodwill is tested annually for impairment.

For the purpose of impairment testing, a group of assets with cash inflows that are largely independent of those of other individual assets or groups of assets is considered to be the smallest identifiable group of assets. Goodwill acquired on a business merger is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the synergy.

The recoverable amount is the higher of the fair value of individual assets or cash-generating units less costs of disposal and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the recoverable amount of an individual asset or cash-generating unit is less than its carrying amount.

An impairment loss is recognized immediately in profit or loss and reduces the carrying amount of the cash-generating unit's amortized goodwill first, and then reduces the carrying amount of each asset in proportion to the carrying amount of the other assets in the unit.

A non-financial asset is reversed only to the extent that the carrying amount of the asset, net of depreciation or amortization, would have been determined had no impairment loss been recognized in prior years.

(XI) Revenue recognition

Revenue is measured as the consideration to which the Company is expected to be entitled for the transfer of goods or services. Revenue is recognized when the Company satisfies its performance obligation by transferring control of the goods or services to the customer. The Company's major revenue items are described as follows:

1. Revenue from sales and processing of goods

The Company is mainly engaged in the manufacturing, processing and trading of steel wire and steel bars. The Company recognizes revenue when control over the products is transferred. The transfer of control of the product means that the product has been delivered to the customer, the customer has full control over the sales channel and price of the product, and there is no outstanding obligation that would affect the customer's acceptance of the product. Delivery occurs when the product is delivered to a specific location, the risk of obsolescence and loss has been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, the terms of acceptance have lapsed, or the Company has objective evidence that all acceptance conditions have been met.

The Company recognizes processing revenue in the financial reporting period in which the related services are rendered

The Company recognizes accounts receivable upon delivery of goods because the Company has the unconditional right to receive the consideration at that point in time.

2. Financial components

The Company does not adjust the time value of money of the transaction price because the interval between the transfer of goods to the customer and the payment for the goods is expected to be less than one year for all customer contracts.

(XII) Employee benefits

1. Defined contribution plan

The contribution obligation of the defined contribution pension plan is recognized as employee benefit expense in profit or loss over the period in which the employees render service.

2. Defined benefit plan

The Company's net obligation for defined benefit plan is calculated by discounting future benefit amounts earned by employees for current or prior periods of service to present value, less the fair value of any plan assets.

The defined benefit obligation is actuarially calculated annually by a qualified actuary using the projected unit benefit method. When the calculation is likely to be favorable to the Company, the asset is recognized to the extent of the present value of any economic benefits available in the form of refunds of contributions from the plan or reductions in future contributions to the plan. The present value of economic benefits is calculated by taking into account any minimum funding requirements.

The remeasurement of the net defined benefit obligation, including actuarial gains and losses, return on plan assets (excluding interest), and any change in the asset ceiling effect (excluding interest) are recognized immediately in other comprehensive income and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit obligation (asset) using the net defined benefit obligation (asset) and discount rate determined at the beginning of the annual reporting period. Net interest expense and other expenses for defined benefit plan are recognized in profit or loss.

Changes in benefits related to prior service costs or curtailment of benefits or losses arising from plan amendments or curtailments are recognized immediately in profit or loss. Gain or loss on the settlement of defined benefit plan is recognized when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when the services are rendered. If the Company has a present legal or constructive obligation to pay for services rendered by employees and the obligation can be reliably estimated, the amount is recognized as a liability.

(XIII) Government subsidies

Government subsidies to reimburse the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis over the same period as the related expenses.

(XIV) Income tax

Income tax consists of current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss, except when they relate to business mergers, items recognized directly in equity or other comprehensive income.

Current income tax includes estimated income tax payable or refundable based on current year's taxable income (loss) and any adjustments to prior years' income tax payable or refundable. Its best estimate is the amount expected to be paid or received based on the statutory or substantively enacted tax rate at the reporting date.

Deferred income tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax is not recognized for temporary differences arising from.

1. assets or liabilities that are not part of the initial recognition of a business merger transaction and do not affect the accounting profit and taxable income (loss) at the time of the transaction.
2. temporary differences arising from investments in subsidiaries, affiliates and joint ventures where the timing of the reversal of the temporary differences is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future; and
3. taxable temporary differences arising from the original recognition of goodwill.

Deferred income tax is measured at the tax rate that is expected to apply when the temporary differences reverse, using either the statutory tax rate or the effective legislative tax rate at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset only if the following conditions are met at the same time:

1. the Company has the legal right to offset current income tax assets and liabilities; and
2. the deferred income tax assets and deferred income tax liabilities relate to one of the following taxable entities that are subject to income tax by the same taxing authority:
   (1) the same taxable entity; or
   (2) different taxable entities, provided that each entity intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

Deferred income tax assets are recognized for unused tax losses and unused tax credits carried forward to the extent that it is probable that future taxable income will be available against which the deferred income tax assets can be utilized, together with deductible temporary differences. Deferred tax assets are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized, or the amount of the reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

(XV) Earnings per share

The Company presents basic and diluted earnings per share attributable to equity holders of common stock. Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common stock by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common shares by the weighted-average number of common shares outstanding, adjusted for the effect of all dilutive potential common shares. The Company's potentially dilutive common shares are profit-sharing remuneration for employees issued in stock.

(XVI) Segment Information

The operating segments are components of the Company that engage in activities that may generate revenues and expenses, including revenues and expenses related to intercompany transactions with other components of the Company. The operating results of all operating segments are reviewed periodically by the Company's chief operating decision maker to make decisions about the allocation of resources to those segments and to evaluate their performance. Separate financial information is available for each operating segment.

V. Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates.

Management reviews estimates and underlying assumptions on an ongoing basis, and changes in accounting estimates are recognized in the period of change and in the future periods affected.

The financial statements do not include information on accounting policies that involve significant judgments that have a material effect on the amounts to be recognized.

Information about uncertainties in assumptions and estimates that have a significant risk of causing a material adjustment in the subsequent year is included in the subsequent measurement of inventories. Since inventories are measured at the lower of cost or net realizable value, the Company assesses the amount of inventories that are normally worn out, obsolete or have no marketable value at the reporting date and reduces the cost of inventories to net realizable value. This inventory measurement is based on estimates of demand for products in specific periods in the future and is subject to significant changes due to rapid changes in the industry. Please refer to Note 6(4) for the subsequent measurement of inventories.

VI. Summary of Significant Accounting Items

(I) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand	$ 62	62
Demand deposits and checking deposits	66,456	102,963
Foreign currency deposits	22,245	24,851
Cash and cash equivalents in the statements of cash flows	$ 88,763	127,876

Please refer to Note 6(16) for the disclosure of the interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(II) Financial assets

1. Financial assets at fair value through profit or loss

	2022.12.31	2021.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Funds	$ 975	1,008

As of December 31, 2022 and 2021, none of the above financial assets had been pledged as collaterals.

2. Sensitivity analysis - securities price risk

If the price of securities had changed at the reporting date (the same basis is used for the analysis of both periods and other variables are assumed to be constant), the impact on the comprehensive income items would have been as follows:

	2022		2021	
Price of securities at reporting date	Impact on other comprehensive income after tax	Profit or loss after tax	Impact on other comprehensive income after tax	Profit or loss after tax
Increase by 1%	$ -	8	-	8
Decrease by 1%	$ -	(8)	-	(8)

3. Financial assets at amortized cost

	2022.12.31	2021.12.31
Reserve demand deposit account	$ 49,488	29,278
Reserve time deposit account	8,411	6,000
Corporate bonds with repurchase agreement	3,000	13,003
Total	$ 60,899	48,281

The Company assesses that these assets are held to maturity to collect the contractual cash flows and that the cash flows from these financial assets are solely attributable to the payment of principal and interest on the outstanding principal amount and are therefore reported as financial assets at amortized cost.

As of December 31, 2022 and 2021, the above financial assets were pledged as collaterals for loans. Please refer to Note 8.

(III) Notes and accounts receivable (including related parties)

The breakdown of the Company's accounts receivable is as follows:

	2022.12.31	2021.12.31
Notes receivable	$ 43,080	58,432
Notes receivable - related parties	2,938	6,002
Accounts receivable	144,690	166,165
Accounts receivable - related parties	1,453	5,697
Less: Allowance for losses	66	8
	$ 192,095	236,288

As of December 31, 2022 and 2021, none of the receivables of the Company were discounted, of which $24,248 and $26,685, respectively, were provided as collaterals for loans, please refer to Note 8.

The Company uses a simplified approach to estimate expected credit losses on all notes and accounts receivable, by measuring expected credit losses over their duration. For this purpose, these notes and accounts receivable are grouped according to common credit risk characteristics that represent customers' abilities to pay all amounts due under the contractual terms with forward-looking information taken into account, including general economic and related industry information.

Analysis of the expected credit losses on notes receivable and accounts receivable is as follows:

	2022.12.31		
	Carrying amounts of notes receivable and accounts receivable	Weighted-average expected credit loss rate	Allowance for expected credit losses over the duration
Not overdue	$ 150,572	0.000%	-
Less than 30 days overdue	30,271	0.000%	-
31~60 days overdue	8,936	0.000%	-
91~180 days overdue	2,382	2.791%	66
	$ 192,161		66

	2021.12.31			
	Carrying amounts of notes receivable and accounts receivable		Weighted-average expected credit loss rate	Allowance for expected credit losses over the duration
Not overdue	$	190,483	0.001%	2
Less than 30 days overdue		38,582	0.006%	3
31~60 days overdue		7,210	0.021%	2
61~90 days overdue		11	2.855%	-
91~180 days overdue		3	3.230%	-
181~365 days overdue		7	14.542%	1
	$	236,296		8

Changes in allowance for losses on notes and accounts receivable (including related parties) were as follows:

		2022	2021
Balance at the beginning of the period	$	8	2,441
Impairment loss (reversal gain) recognized		58	(139)
Amount written off due to non-recoverability		-	(2,294)
Balance at the end of the period	$	66	8

(IV) Inventories

Breakdown of the Company's inventories is as follows:

		2022.12.31	2021.12.31
Raw materials	$	578,083	249,011
Work in process		18,818	19,733
Finished goods		184,619	127,036
Merchandise inventories		13	404
Inventories in transit		7,804	79,041
	$	789,337	475,225

As of December 31, 2022 and 2021, none of the inventories had been pledged as collaterals.

In addition to the transfer of inventories for normal sales to operating costs, the total amount of other expenses (gains) directly included in operating costs were as follows:

		2022	2021
Net reversal of loss on inventories	$	(1,000)	(6,000)
Unallocated manufacturing overheads		27,881	3,181
Net inventory cycle-count losses		75	220
Revenue from scraps		(3,721)	(4,648)
Total	$	23,235	(7,247)

(V) Property, plant and equipment

Changes in the cost, depreciation and impairment loss of property, plant and equipment were as follows:

		Land	Buildings and structures	Machinery and equipment	Other equipment	Total
Cost						
Balance as of January 1, 2022	$	672,106	231,848	586,699	81,101	1,571,754
Addition		-	1,981	12,738	6,560	21,279
Disposal		-	(80)	(93,927)	(10,080)	(104,087)
Reclassification		-	-	2,391	694	3,085
Balance as of December 31, 2022	$	672,106	233,749	507,901	78,275	1,492,031
Balance as of January 1, 2021	$	672,106	252,936	594,446	79,727	1,599,215
Addition		-	10,215	22,192	4,058	36,465
Disposal		-	(31,303)	(29,939)	(2,684)	(63,926)
Balance as of December 31, 2021	$	672,106	231,848	586,699	81,101	1,571,754
Depreciation and impairment loss:						
Balance as of January 1, 2022	$	-	119,382	326,098	41,531	487,011
Depreciation		-	8,880	51,729	8,306	68,915
Disposal		-	(80)	(93,927)	(10,080)	(104,087)
Balance as of December 31, 2022	$	-	128,182	283,900	39,757	451,839
Balance as of January 1, 2021	$	-	142,386	303,280	36,128	481,794
Depreciation		-	8,299	52,757	8,087	69,143
Disposal		-	(31,303)	(29,939)	(2,684)	(63,926)
Balance as of December 31, 2021	$	-	119,382	326,098	41,531	487,011
Book value:						
December 31, 2022	$	672,106	105,567	224,001	38,518	1,040,192
January 1, 2021	$	672,106	110,550	291,166	43,599	1,117,421
December 31, 2021	$	672,106	112,466	260,601	39,570	1,084,743

1. Impairment loss

Changes in accumulated impairment of the Company's property, plant and equipment were as follows:

		2022	2021
Balance at the beginning of the period (i.e. balance at the end of the period)	$	2,504	2,504

2. Collateral

Breakdown of the Company's property, plant and equipment used as collaterals short-term loans, long-term loans and financing lines as of December 31, 2022 and 2021 is as follows. Please refer to Note 8.

(VI) Right-of-use assets

Changes in the cost and depreciation of the right-of-use assets recognized for transportation equipment leased by the Company were as follows:

		Transportation equipment
Cost of right-of-use assets		
Balance as of January 1, 2022	$	8,546
Addition		1,000
Balance as of December 31, 2022	**$**	**9,546**
Balance as of January 1, 2021	$	8,752
Addition		569
Reduction		(775)
Balance as of December 31, 2021	**$**	**8,546**
Depreciation of right-of-use assets		
Balance as of January 1, 2022	$	4,642
Depreciation		2,470
Balance as of December 31, 2022	**$**	**7,112**
Balance as of January 1, 2021	$	3,059
Depreciation		2,358
Reduction		(775)
Balance as of December 31, 2021	**$**	**4,642**
Book value:		
December 31, 2022	**$**	**2,434**
January 1, 2021	**$**	**5,693**
December 31, 2021	**$**	**3,904**

(VII) Long-term and short-term loans

Details, terms and conditions of the Company's long-term and short-term loans were as follows:

1. Short-term loans

	2022.12.31				
	Currency	**Interest rate range (%)**	**Maturity year**	**Amount**	
Loans under letters of credit	NTD	1.67~2.599	2023	$	165,328
Secured bank loans	NTD	1.85~2.375	2023		557,000
Total				**$**	**722,328**

	2021.12.31				
	Currency	Interest rate range (%)	Maturity year	Amount	
Loans under letters of credit	NTD	1.55~1.95	2022	$	200,132
Loans under letters of credit	USD	0.800~1.223	2022		33,197
Secured bank loans	NTD	1.427~1.750	2022		80,000
Total				$	313,329

As of December 31, 2022 and 2021, the Company had undrawn short-term borrowing lines amounting to $314,702 thousand and $411,929 thousand, respectively.

2. Short-term bills payable

Breakdown of short-term bills payable is as follows:

	2022.12.31			
	Guarantee or acceptance institution	Interest rate range (%)	Amount	
Commercial paper payables	Mega Bills Finance Co., Ltd.	1.56	$	30,000
Less: Discount on short-term bills payable				22
Total			$	29,978

	2021.12.31			
	Guarantee or acceptance institution	Interest rate range (%)	Amount	
Commercial paper payables	Mega Bills Finance Co., Ltd.	1.3	$	30,000
Commercial paper payables	SHANGHAI COMMERCIAL & SAVINGS BANK	0.402		30,000
Subtotal				60,000
Less: Discount on short-term bills payable				62
Total			$	59,938

3. Long-term loans

	2022.12.31			
	Currency	**Interest rate range (%)**	**Maturity year**	**Amount**
Secured bank loans	NTD	2.025~2.275	2023~2027	$ 95,857
Current				$ 47,940
Non-current				47,917
Total				$ 95,857

	2021.12.31			
	Currency	**Interest rate range (%)**	**Maturity year**	**Amount**
Secured bank loans	NTD	1.40~1.79	2022~2024	$ 97,571
Current				$ 51,714
Non-current				45,857
Total				$ 97,571

As of December 31, 2022 and 2021, the Company had no undrawn long-term borrowing lines.

For information on the Company's interest rate, foreign currency and liquidity risk exposures, please refer to Note 6(16).

4. Collaterals for bank loans

The Company’s assets pledged as collaterals for bank loans are as described in Note 8.

(VIII) Lease liabilities

Carrying amounts of the Company's lease liabilities were as follows:

	2022.12.31	2021.12.31
Current	$ 1,825	2,388
Non-current	$ 619	1,579

For maturity analysis, please refer to Note 6(16) Financial instruments.

Amount of leases recognized in profit or loss was as follows:

	2022	2021
Interest expense on lease liabilities	$ 56	83

Amount of leases recognized in the statements of cash flows was as follows:

	2022	2021
Total cash outflows from leases	$ 2,579	2,436

The Company leases transportation equipment for periods ranging from two to four years.

(IX) Employee benefits

1. Defined benefit plan

Reconciliation of the present value of the Company's defined benefit obligations to the fair value of plan assets is as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligations	$ 70,648	79,307
Fair value of plan assets	(68,938)	(68,534)
Net defined benefit liabilities	$ 1,710	10,773

The Company makes appropriations for the defined benefit plans to a dedicated account of Labor Retirement Reserve at the Bank of Taiwan. The retirement benefit for each employee under the Labor Standards Act is based on the bases of the number of years of service and the average salary for the six months before retirement.

(1) Composition of plan assets

The Company's pension fund under the Labor Standards Act is administered by the Bureau of Labor Funds, the Ministry of Labor (formerly the Bureau of Labor Funds, Ministry of Labor, Executive Yuan). In accordance with the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, the minimum annual earnings of the Fund shall not be less than the earnings calculated based on the interest rate of a two-year time deposit at a local bank.

As of December 31, 2022, the balance of dedicated account of Labor Retirement Reserve at the Bank of Taiwan was $68,938 thousand. For information on the labor pension fund assets, including the fund earnings yield and fund asset allocation, please refer to the information published on the website of the Bureau of Labor Funds, the Ministry of Labor (formerly the Bureau of Labor Funds, Ministry of Labor, Executive Yuan)

(2) Changes in the present value of defined benefit obligations

Changes in the present value of the Company's defined benefit obligations were as follows:

	2022	2021
Defined benefit obligations as of January 1	$ 79,307	79,368
Current service costs and interest	1,077	1,174
Remeasurement of net defined benefit liabilities		
- Actuarial gain or loss resulting from changes in financial assumptions	(2,500)	5,507
Benefits paid	(7,236)	(6,742)
Defined benefit obligations as of December 31	**$ 70,648**	**79,307**

(3) Changes in the fair value of plan assets

Changes in the fair value of the Company's defined benefit plan assets were as follows:

	2022	2021
Fair value of plan assets as of January 1	$ 68,534	72,870
Interest income	324	419
Remeasurement of net defined benefit liabilities		
- Return on plan assets (excluding current interest)	5,825	867
Amount appropriated to the plan	1,491	1,120
Benefits paid	(7,236)	(6,742)
Fair value of plan assets as of December 31	**$ 68,938**	**68,534**

(4) Expenses recognized in profit or loss

Breakdown of expenses reported by the Company is as follows:

	2022	2021
Current service costs	$ 702	718
Net interest on net defined benefit liabilities	51	37
	$ 753	**755**

	2022	2021
Operating costs	$ 585	542
Selling expenses	20	18
Administrative expenses	148	195
Total	**$ 753**	**755**

(5) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligations as of the reporting date were as follows:

	2022.12.31	2021.12.31
Discount rate	1.500%	0.500%
Future salary increase	1.000%	1.000%

The Company expects to make the appropriation of $1,080 thousand for the defined benefit plan in the year following the reporting date for 2022.

The weighted-average duration of the defined benefit plan is 9.25 years.

(6) Sensitivity analysis

The effect of changes in key actuarial assumptions on the present value of the defined benefit obligations as of December 31, 2022 and 2021 was as follows:

	Increase (Decrease) in the defined benefit obligations	
	Increase by 0.25%	**Decrease by 0.25%**
December 31, 2022		
Discount rate (change by 0.25%)	$ (938)	965
Future salary increase (change by 0.25%)	942	(919)
December 31, 2021		
Discount rate (change by 0.25%)	$ (1,226)	1,264
Future salary increase (change by 0.25%)	1,223	(1,192)

The sensitivity analysis above explores the effect of changes in a single assumption with other assumptions held constant. In practice, changes in many of these assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net defined benefit obligations for the balance sheet.

The methodology and assumptions used in preparing the sensitivity analysis are the same as those used in the previous period.

2. Defined contribution plan

The Company's defined contribution plan is based on the Labor Pension Act, and the contribution rate is 6% of the employees' monthly wages to employees’ personal pension accounts at the Bureau of Labor Insurance Under this plan, the Company has no legal or constructive obligations to pay additional amounts after making a fixed contribution to the Bureau of Labor Insurance.

The Company's pension expenses under the defined contribution pension plan was $2,698 thousand and $2,495 thousand for 2022 and 2021, respectively.

(X) Income tax

1. Income tax expense

Breakdown of the Company's income tax expense is as follows:

		2022	2021
Current income tax expense			
Incurred during the period	$	11,595	34,048
Adjustments to current income tax for prior periods		(17)	-
		11,578	34,048
Deferred income tax expense			
Occurrence and reversal of temporary differences		229	1,437
Income tax expense	$	11,807	35,485

There was no income tax expense recognized in equity and other comprehensive income for 2022 and 2021.

Reconciliation of income tax expense to net profit before tax is as follows:

		2022	2021
Net profit before tax	$	59,026	178,834
Income tax based on the domestic tax rate of the Company's jurisdiction	$	11,805	35,767
Adjustments for tax return		19	(282)
Overestimation of income tax for prior periods		(17)	-
Total	$	11,807	35,485

2. Deferred income tax assets - deferred income tax assets recognized

Changes in deferred income tax assets

		Allowance for loss on decline in value of inventories	Provision for retirement benefits	Others	Total
January 1, 2022	$	3,200	931	541	4,672
Debit to the Statements of Comprehensive Income		(200)	(147)	118	(229)
December 31, 2022	$	3,000	784	659	4,443
January 1, 2021	$	4,400	1,004	705	6,109
Debit to the Statements of Comprehensive Income		(1,200)	(73)	(164)	(1,437)
December 31, 2021	$	3,200	931	541	4,672

3. Status of income tax assessment

The Company's income tax returns have been assessed by the tax authorities through 2020.

(XI) Capital and other equity

1. Common stock capital

As of December 31, 2022 and 2021, the Company's total authorized capital was $2,900,000 thousand with a par value of $10 per share and 290,000 thousand shares. The number of common shares issued was 97,500 thousand shares at both balance sheet dates.

2. Capital surplus

The balance of the Company's capital surplus was as follows:

		2022.12.31	2021.12.31
Transactions of treasury stock	$	10,438	10,438
Others		92	64
	$	10,530	10,502

In accordance with the Company Act, capital surplus must first be used to make up for losses before new shares or can be issued or cash can be paid in proportion to the shareholders' original shares based on the realized capital surplus. The realized capital surplus referred to in the preceding paragraph includes the proceeds from the issuance of shares in excess of par value and the proceeds from the receipt of gifts. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital surplus may be capitalized as equity in an amount not exceeding 10% of the paid-in capital each year.

3. Retained earnings:

In accordance with the applicable provisions of the Company's Articles of Incorporation, if the Company makes a profit in a year as concluded by the year-end account close, the Company shall first pay taxes, make up for accumulated losses, then provide 10% for legal reserve, except that if the legal reserve has reached the Company's paid-in capital, no further provision shall be made. The remaining amount, after the special reserve is set aside or reversed, shall be the earnings available for distribution for the year, for which together with the accumulated undistributed earnings, the Board of Directors shall prepare an earnings distribution proposal and submit it to the shareholders for resolution on the distribution of dividends to shareholders. The Company's dividends policy is formulated in accordance with the Company's current and future development plans, with the investment environment, capital requirements and domestic and international competition, as well as the interests of shareholders taken into account. The Company's dividend policy is based on the principle that no less than 30% of the earnings available for distribution in a given year should be distributed as dividends, which may be paid in cash or in stock, with cash dividends not less than 30% of the total dividends. However, if, after calculations, the dividends and bonuses (the sum of cash dividends and stock dividends) to shareholders are less than $0.20 per share, no distribution of dividends shall be made.

(1) Legal reserve

The Company may issue new shares or pay cash from the legal reserve up resolution of the shareholders’ meeting when the Company has no losses, but limited to the part of the legal reserve exceeding 25% of the paid-in capital.

(2) Earnings distribution

On May 26, 2022 and August 25, 2021, respectively, the Company's shareholders resolved the distribution of earnings for 2021 and 2010, and the amounts of dividends distributed to shareholders were as follows, and related information can be found on the MOPS:

	2021		2020	
	Distribution rate (NTD)	Amount	Distribution rate (NTD)	Amount
Dividends distributed to shareholders of common stock:				
Cash	$ 1.20	117,000	0.25	24,375

On February 23, 2023, the Board of Directors resolved on the 2022 earnings distribution proposal and the amount of dividends to be distributed to shareholders was as follows:

	2022	
	Distribution rate (NTD)	**Amount**
Cash	$ 0.35	34,125

(XII) Earnings per share

The calculations of basic earnings per share and diluted earnings per share are as follows:

1. Basic earnings per share

Unit: Thousands of shares

	2022	2021
Net profit attributable to shareholders of the Company's common stock	47,219	143,349
Weighted average number of common shares outstanding	97,500	97,500
Basic earnings per share (NTD)	0.48	1.47

2. Diluted earnings per share

Unit: Thousands of shares

	2022	2021
Net profit attributable to shareholders of the Company's common stock	47,219	143,349
Weighted average number of common shares outstanding	97,500	97,500
Effect of dilutive potential common shares		
Effect of profit-sharing remuneration for employees in stock	99	193
Weighted average number of common shares outstanding (diluted)	97,599	97,693
Diluted earnings per share (NTD)	0.48	1.47

(XIII) Revenue from customer contracts

1. Breakdown of revenue

	2022	2021
Major market by region:		
Taiwan	$ 731,540	1,101,034
China	200,150	191,935
Indonesia	125,229	90,499
Malaysia	44,807	66,311
Other countries	66,872	76,672
	$ 1,168,598	1,526,451

		2022	2021
Main product/service lines			
Steel bars	$	807,824	1,097,579
Steel wires		278,734	331,680
Other products		21,896	20,869
Processing revenue		60,144	76,323
	$	1,168,598	1,526,451

2. Contract balance

		2022.12.31	2021.12.31	2021.1.1
Notes receivable	$	43,080	58,432	49,729
Notes receivable - related parties		2,938	6,002	7,052
Accounts receivable		144,690	166,165	206,618
Accounts receivable - related parties		1,453	5,697	3,102
Long-term receivables		-	-	2,294
Less: Allowance for losses		66	8	2,441
Total	$	192,095	236,288	266,354

Please refer to Note 6(3) for the disclosure of notes receivable, accounts receivable, long-term receivables and impairment losses thereof.

(XIV) Profit-sharing remuneration for employees, directors and supervisors

In accordance with the Company's Articles of Incorporation, if the Company makes a profit in a year, 2% of which should be appropriated as profit-sharing remuneration for employees and no more than 3% as profit-sharing remuneration for directors and supervisors However, if the Company still has accumulated losses, it should reserve the amount to make up for the losses in advance

After the establishment of the Audit Committee in August 2021, in accordance with the Company's amended Articles of Incorporation, if the Company makes a profit in a year, 2% of which should be appropriated as profit-sharing remuneration for employees and no more than 3% as profit-sharing remuneration for directors. However, if the Company still has accumulated losses, it should reserve the amount to make up for the losses in advance

For 2022 and 2021, the amount of profit-sharing remuneration for employees was $1,243 thousand and $3,765 thousand, respectively, and the amount of profit-sharing remuneration for directors and supervisors was $1,864 thousand and $5.647 thousand, respectively, which were calculated by multiplying the Company's net profit before tax before deducting profit-sharing remuneration for employees and profit-sharing remuneration for directors and supervisors by the percentages of profit-sharing remuneration for employees and profit-sharing remuneration for directors and supervisors stipulated in the Company's Articles of Incorporation and reported as operating costs or operating expenses for 2022 and 2021. The related information is available on the Market Observation Post System. There was no difference between the profit-sharing remuneration for employees and profit-sharing remuneration for directors and supervisors resolved by the Board of Directors and the amounts provided in the Company's financial statements for 2022 and 2021.

(XV) Non-operating income and expense

1. Interest income

Breakdown of the Company's interest income is as follows:

		2022	2021
Interest on bank deposits	$	483	215

2. Other income

	2022	2021
Dividends income	$ -	84
Others	1,007	2,073
Total other income	$ 1,007	2,157

3. Other gain or loss

	2022	2021
Net foreign currency exchange gain (loss)	$ 8,505	(309)
Net gain (loss) on financial assets at fair value through profit or loss:	(35)	1,408
Miscellaneous expenses	(60)	-
Other gain or loss, net	$ 8,410	1,099

4. Financial costs

	2022	2021
Interest expense	$ 13,635	7,071

(XVI) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure.

(2) Concentration of credit risk

Since the Company has a large customer base and does not have a significant concentration of transactions with a single customer and its sales regions are scattered, there is no significant concentration of credit risk in accounts receivable. To reduce credit risk, the Company regularly and continuously evaluates the financial position of its customers, but does not normally require collateral from customers.

2. Liquidity risk - Maturity analysis of financial liabilities

The following table shows the contractual maturities of financial liabilities, including estimated interest but excluding the effect of net agreements.

	Carrying amount	Contractual cash Flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2022						
Non-derivative financial liabilities						
Bank loans under letters of credit	$ 165,328	165,885	165,885	-	-	-
Secured bank loans	557,000	561,534	561,534	-	-	-
Short-term bills payable	29,978	30,000	30,000	-	-	-
Long-term secured bank loans (including portion due within one year)	95,857	98,665	48,731	13,407	36,527	-
Notes payable	63	63	63	-	-	-
Accounts payable	106,819	106,819	106,819	-	-	-
Accounts payable - related parties	96	96	96	-	-	-
Other payables	47,148	47,148	47,148	-	-	-
Lease liabilities	2,444	2,478	1,851	427	200	-
	$ 1,004,733	1,012,688	962,127	13,834	36,727	-

December 31, 2021						
Non-derivative financial liabilities						
Bank loans under letters of credit	$ 233,329	234,801	234,801	-	-	-
Secured bank loans	80,000	80,308	80,308	-	-	-
Short-term bills payable	59,938	60,000	60,000	-	-	-
Long-term secured bank loans (including portion due within one year)	97,571	99,398	53,062	46,336	-	-
Notes payable	20,857	20,857	20,857	-	-	-
Notes payable - related parties	22	22	22	-	-	-
Accounts payable	158,004	158,004	158,004	-	-	-
Accounts payable - related parties	34	34	34	-	-	-
Other payables	50,725	50,725	50,725	-	-	-
Lease liabilities	3,967	4,028	2,436	1,508	84	-
	$ 704,447	**708,177**	**660,249**	**47,844**	**84**	**-**

The Company does not expect the timing of cash flows to occur significantly earlier or for the actual amounts to differ significantly for the maturity analysis

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company's financial assets and liabilities exposed to significant foreign currency exchange rate risk were as follows:

	Foreign currency	Exchange rate	NTD
December 31, 2022			
Financial assets			
Monetary items			
USD	$ 3,604	30.7150	110,697
Financial liabilities			
Monetary items			
USD	$ 254	30.7150	7,804
December 31, 2021			
Financial assets			
Monetary items			
USD	$ 3,201	27.6800	88,599
Financial liabilities			
Monetary items			
USD	$ 2,201	27.6800	60,916

(2) Sensitivity analysis

The Company's exchange rate risk arises mainly from foreign-currency denominated cash and cash equivalents, financial assets at amortized cost, accounts receivable, other receivables, loans, accounts payable and other payables, which result in foreign currency exchange gains or losses upon translation. As of December 31, 2022 and 2021, if NTD had depreciated or appreciated by 5% against foreign currencies, with all other factors held constant, net profit before tax would had increased or decreased by $5,145 thousand and $1,384 thousand for 2022 and 2021, respectively. The same basis was used in the analysis for both periods.

(3) Exchange gain or loss on monetary items

Information on exchange rate for the translation of monetary items into the Company's functional currency, including realized and unrealized gains and losses, was as follows:

	2022		2021	
	Exchange gain (loss)	**Average exchange rate**	**Exchange gain (loss)**	**Average exchange rate**
USD	$ 8,505	29.8503	(309)	27.9354

4. Interest rate analysis

The Company's interest rate risk on financial liabilities is described in Liquidity Risk Management of this Note.

The following sensitivity analysis is based on the interest rate risk of non-derivative instruments at the reporting date. For floating rate liabilities, the analysis assumes that the amount of the liabilities outstanding at the reporting date were outstanding for the entire year. The changes used for the Company's internal reporting of interest rates to key management is increased or decreased in interest rates by 1%, which represents management's assessment of the range of reasonably possible changes in interest rates.

If interest rates had increased or decreased by 1%, with all other variables held constant, the Company's net profit before tax would have decreased or increased by $8,182 thousand and $4,109 thousand for2022 and 2021, respectively, primarily due to the Company's variable rate borrowings.

5. Information on fair value

(1) Types and fair values of financial instruments

The carrying amounts and fair values of the Company's financial assets and liabilities (except for the following, if the carrying amounts of financial instruments are a reasonable approximation of fair values, disclosure of information on fair value is not required) were as follows:

	2022.12.31				
		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:	$ 975	975	-	-	975

	2021.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:	$ 1,008	1,008	-	-	1,008

(2) Fair value measurement techniques for financial instruments at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted market price in the active market. The market price announced by major exchanges and the OTC trading centers for central government bonds, which are judged to be popular, are the basis for the fair value of listed equity instruments and debt instruments with active market quotations.

A financial instrument has active market quotations if public quotations are available from exchanges, brokers, underwriters, industry associations, pricing service agencies, or competent authorities in a timely and regular manner and the prices represent actual and regular arm's-length market transactions. If the above criteria are not met, the market is not considered active. In general, a very wide bid-ask spread, a significant increase in the bid-ask spread, or low trading volume are all indicators of an inactive market.

The financial instruments held by the Company are open-end funds and stocks of listed companies, which are financial assets with standard terms and conditions and traded in active markets, and their fair values are determined by reference to quoted market prices.

(XVII) Financial risk management

1. Outline

The Company is exposed to the following risks arising from the use of financial instruments:

(1) Credit risk
(2) Liquidity risk
(3) Market risk

This Note presents information on the Company's exposure to each of the above risks and the Company's objectives, policies and procedures for measuring and managing these risks. For further quantitative disclosures, please refer to the respective notes to the financial statements.

2. Risk management framework

The Board of Directors is solely responsible for establishing and overseeing the risk management framework of the Company. The Chairperson of the Board of Directors is responsible for the development and control of the Company's risk management policies and reports regularly to the Board of Directors on the operations.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor compliance with the risks and risk limits. The risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines and operating procedures so that all employees understand their roles and responsibilities.

The Company's Board of Directors monitors how management ensures compliance with the Company's risk management policies and procedures and reviews the appropriateness of the Company's risk management framework with respect to the risks it faces. Internal auditors assist the Company's Board of Directors in its oversight role. These auditors conduct regular and exceptional reviews of risk management controls and procedures and report the results of these reviews to the Board of Directors.

3. Credit risk

Credit risk refers to the risk of loss arising from the failure of any counterparty to perform its contractual obligations. The Company limits the counterparties of derivative instruments to those with good credit rating and expects that the counterparties will not default on their contracts. Therefore, the likelihood of credit risk is extremely low.

The Company's notes and accounts receivable (including related parties) and other financial assets exposed to credit risk are evaluated for contracts with positive fair values at the balance sheet date.

Significant concentration of credit risk occurs when the counterparties to financial instrument transactions are significantly concentrated in a small number of counterparties, or when the counterparties to financial instrument transactions are not significantly concentrated in a small number of counterparties, but most of the counterparties are engaged in similar business activities and have similar economic characteristics, such that their ability to perform the contracts is similarly affected by economic or other conditions. The counterparties of the Company's financial instruments are not significantly concentrated, but the counterparties of notes and accounts receivable are concentrated in three customers, accounting for 26% and 24% of the net notes and accounts receivable (including related parties) as of December 31, 2022 and 2021, respectively.

4. Liquidity risk

The Company's current assets are greater than its current liabilities. Therefore, the Company has sufficient working capital and is not exposed to liquidity risk due to its inability to raise funds to meet its contractual obligations. In addition, as of December 31, 2022 and 2021, the Company’s undrawn short-term borrowing lines amounted to $314,702 thousand and $411,929 thousand, respectively.

5. Market risk

Market risk refers to the potential loss that the Company may suffer due to changes in market interest rates or exchange rates as a result of the Company’s engagements in related transactions. To manage exchange rate risk, the Company maintains net foreign currency positions within certain limits.

The Company's creditor’s rights in foreign-currency are subject to exchange rate fluctuations, but they do not represent a significant portion of the Company's total assets to exchange rate fluctuations. Therefore, the impact of exchange rate changes thereon remains within a certain range.

(XVIII) Capital management

It is the policy of the Board of Directors to maintain a sound capital base to sustain the confidence of investors, creditors and the market and to support the future development of operations. Capital consists of the Company's capital stock, capital surplus and retained earnings. The Board of Directors controls the debit to capital ratio and the level of dividends on common stock.

The debit to capital ratio as of the reporting date was as follows:

	2022.12.31	2021.12.31
Total liabilities	$ 1,024,427	756,159
Less: Cash and cash equivalents	88,763	127,876
Net liabilities	**$ 935,664**	**628,283**
Capital	**$ 1,189,562**	**1,250,990**
Debt to capital ratio	**79%**	**50%**

As of December 31, 2022, the Company's capital management practices had not changed.

(XIX) Investments and financing activities in non-cash transactions

The Company's investments and financing activities in non-cash transactions during 2022 consisted of acquiring right-of-use assets by lease There were no investments and financing activities in non-cash transactions during 2021.

Reconciliation of the Company's liabilities from financing activities is as follows:

	2022.1.1	Cash flows	Reconciliation of non-cash transactions: Effect of changes in exchange rate	Amortization of discounts of bills	Acquisition of right-of-use assets	2022.12.31
Short-term loans	$ 313,329	408,294	705	-	-	722,328
Short-term bills payable	59,938	(30,000)	-	40	-	29,978
Long-term loans (including long-term loans due within one year)	97,571	(1,714)	-	-	-	95,857
Lease liabilities	3,967	(2,523)	-	-	1,000	2,444
Total liabilities from financing activities	$ 474,805	374,057	705	40	1,000	850,607

	2021.1.1	Cash flows	Reconciliation of non-cash transactions: Effect of changes in exchange rate	Amortization of discounts of bills	Acquisition of right-of-use assets	2021.12.31
Short-term loans	$ 356,510	(41,855)	(1,326)	-	-	313,329
Short-term bills payable	59,946	-	-	(8)	-	59,938
Long-term loans (including long-term loans due within one year)	198,785	(101,214)	-	-	-	97,571
Lease liabilities	5,751	(2,353)	-	-	569	3,967
Total liabilities from financing activities	$ 620,992	(145,422)	(1,326)	(8)	569	474,805

VII. Related Party Transactions

(I) Name and relationship of related parties

The related parties with whom the Company had transactions during the period covered by these financial statements were as follows:

Name of related party	Relationship with the Company
Da Sheng International Investment Co., Ltd.	Other related party of the Company and its chairperson is the Chairperson of the Company
Ren He International Investment Co., Ltd.	Other related party of the Company and its chairperson is a director of the Company
JUNE LAI METAL CO., LTD. (JUNE LAI)	Other related party of the Company and its chairperson is the Chairperson of the Company

(II) Significant transactions with related parties

1. Operating revenue

The amount of processing and sales revenue with related parties was as follows:

		2022	2021
Processing revenue:			
JUNE LAI	$	32,069	41,713
Sales revenue:			
JUNE LAI		3,058	3,306
	$	35,127	45,019

The collection terms for processing revenue and sales revenue from the above related parties are 30 days and 90 days from the monthly cut-off day, respectively, while the collection terms for general customers are 30 to 90 days from the monthly cut-off day.

2. Purchases

The amount of the Company's purchases from related parties was as follows:

		2022	2021
JUNE LAI	$	1,122	1,285

The Company's purchase prices from the above companies were not significantly different from the Company's purchase prices from general vendors. The payment terms are by issuance of notes due 30 days after receiving. For general vendors, their payment terms are not significantly different from those of the related parties, except for the transactions involving letters of credit.

3. Receivables from related parties

The breakdown of the Company's receivables from related parties is as follows:

Account in the financial statements	Type of related party		2022.12.31	2021.12.31
Notes receivable - related parties	JUNE LAI	$	2,938	6,002
Accounts receivable - related parties	JUNE LAI		1,453	5,697
		$	4,391	11,699

Receivables from related parties were not secured by collaterals and no allowance for losses was provided for after evaluation.

4. Payables from related parties

The breakdown of the Company's payables from related parties is as follows:

Account in the financial statements	Type of related party		2022.12.31	2021.12.31
Notes payable - related parties	JUNE LAI	$	-	22
Accounts payable - related parties	JUNE LAI		96	34
		$	96	56

(III) Transactions related to key management

Remuneration for key management included:

		2022	2021
Short-term employee benefits	$	6,783	12,248
Post-employment benefits		-	43
	$	6,783	12,291

VIII. Pledged Assets

Carrying amount of the assets pledged as collaterals was as follows:

Name of asset	Subject asset pledged as collateral	2022.12.31	2021.12.31
Bank deposits and corporate bonds with repurchase agreements (recorded as financial assets at amortized cost)	Short-term loans, short-term bills payable and long-term loans	$ 60,899	38,278
Notes receivable (including related parties)	Short-term loans	24,248	26,685
Property, plant and equipment	Short-term loans and long-term loans	809,129	820,774
Total		**$ 894,276**	**885,737**

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of December 31, 2022 and 2021, the Company had unused letters of credit for the purchase of raw materials and machinery and equipment amounting to $9,969 and $64,742, respectively.

(II) As of December 31, 2022 and 2021, the Company's guarantee notes issued for the purchase of raw materials and borrowing lines amounted to $80,000 thousand and $297,200 thousand, respectively.

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

XII. Others

Employee benefits, depreciation, depletion and amortization expense by functions are summarized as follows:

Function / Nature	2022			2021		
	As operating costs	As operating expenses	Total	As operating costs	As operating expenses	Total
Employee benefits expenses						
Salary expenses	74,379	22,148	96,527	86,368	21,255	107,623
Labor and health insurances expenses	8,709	2,109	10,818	8,517	1,780	10,297
Pension expenses	2,521	930	3,451	2,525	725	3,250
Remuneration for directors	-	6,783	6,783	-	10,153	10,153
Other employee benefits expenses	8,168	1,728	9,896	10,372	2,448	12,820
Depreciation expense	68,066	3,319	71,385	68,341	3,160	71,501
Amortization expense	146	205	351	99	206	305

Additional information on the number of employees and employee benefits expenses for 2022 and 2021 is as follows:

		2022	2021
Number of employees		169	181
Number of directors who were not concurrently employees		6	6
Average employee benefits expenses	$	740	766
Average employee salary expenses	$	592	615
Adjustment to average employee salary expenses		(3.74)%	
Remuneration for supervisors	$	-	213

Information on the Company's salary and remuneration policy (including directors, supervisors, managerial officers and employees) is as follows:

The Company's remuneration for directors and supervisors is based on the attendance rate of directors and supervisors and their contribution and is evaluated and determined with reference to the annual operating performance, the total remuneration paid in the last five years and the salary level of the industry.

The remuneration for managerial officers is evaluated and determined based on the achievement of performance targets. The remuneration for employees is based on their performance appraisal and attendance, and is evaluated and determined based on the annual operating performance.

XIII. Additional Disclosure

(I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company should disclose the following information regarding material transactions in 2022:

1. Lending of funds to others: none.
2. Endorsement and guarantee for others: none.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures):

Companies whose marketable securities are held by the Company	Type and name of marketable securities	Relationship with the issuer of marketable securities	Account in the financial statements	The end of the period				Remarks
				Thousands	Carrying amount	Shareholdings percentage	Fair value	
The Company	Fund-Invesco 2023 Maturity Quality Emerging Bonds Fund	—	Financial assets at fair value through profit or loss - current	4	975	- %	975	—
The Company	Corporate bonds with repurchase agreement - Central government bonds 93-3	—	Financial assets at amortized cost - current	-	3,000	- %	3,000	—

4. Cumulative purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: none.
5. Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: none.
6. Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: none.
7. Purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: none.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: none.
9. Engagements in derivative transactions: none.

(II) Information on Investees: none

(III) Information on Investments in Mainland China: none

(IV) Information on Major Shareholders

Unit: Shares

Shares Name of major shareholders	Number of shares held	Shareholdings percentage
Da Sheng International Investment Co., Ltd.	10,756,000	11.03%
Ren He International Investment Co., Ltd.	10,142,000	10.40%
Ching-Hang Lin	9,850,000	10.10%
PROSPERITY DID ENTERPRISE CO., LTD.	9,260,000	9.49%
Lian Cheng Investment Development Co., Ltd.	8,940,000	9.16%
Tai Yi International Investment Co., Ltd.	5,499,000	5.64%
PORATHA INTERNATIONAL CO., LTD.	5,000,000	5.12%

XIV. Segment Information

The Company operates in a single industry and is mainly engaged in the manufacturing and processing of steel wire and steel bars with similar end-use products. The Company's operating decision makers evaluate performance and allocates resources on a company-wide basis and have identified that the Company has only one reportable segment and its segment profit and loss, segment assets and segment liabilities are consistent with the financial statements. Please refer to the balance sheets and statements of comprehensive income for details.

The Company's geographical information is as follows, with revenues classified based on the geographical location of customers and non-current assets classified based on the geographical location of the assets.

Region	2022	2021
Revenue from external customers.		
Taiwan	$ 731,540	1,101,034
China	200,150	191,935
Indonesia	125,229	90,499
Malaysia	44,807	66,311
Others	66,872	76,672
Total	$ 1,168,598	1,526,451

Region	2022.12.31	2021.12.31
Non-current assets:		
Taiwan	$ 1,056,069	1,094,966

Non-current assets include property, plant and equipment, right-of-use assets, prepayments for equipment and other assets, but exclude non-current assets of financial instruments and deferred income tax assets.

There were no customers whose sales revenue accounted for more than 10% of the revenue amount on the statements of comprehensive income in both 2022 and 2021.

CHIH LIEN INDUSTRIAL CO., LTD.

President: Chung-Liang Pan

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