



TAIWAN PAIHO LIMITED

2022 Annual Report (Translation)

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**Annual Report is available at : [http : //mops.twse.com.tw](http://mops.twse.com.tw)
[http : //www.paiho.com](http://www.paiho.com)**

1. Spokesperson

Name: Kuei-Chu Yeh

Title: Vice General Manager, President Office

Tel: +886-4-7565307

E-Mail: spokesman@paiho.com

Acting Spokesperson

Name: Shu-Hui Yeh

Title: Assistant Manager, Finance Department

Tel: +886-4-7565307

E-Mail: finance@paiho.com

2. Address and Telephone Number of Head Office, Subsidiaries and Factories:

(1)Head Office: TAIWAN PAIHO LIMITED.

Tel: +886-4-7565307

Address: No.575, Ho Kang Rd., Hemei Township, Changhua County 508, Taiwan.

Dye House Address: No.49, Ln. 616, Demei Rd., Hemei Township, Changhua County 508, Taiwan.

Tel: +886-4-7551566

Taipei Office Address: 2F., No.320, Sec. 2, Jianguo S. Rd., Da' an Dist., Taipei City 10662, Taiwan.

Tel: +886-2-23627570

Tainan Office Address: No.35, Chongshan 5th St., East Dist., Tainan City 70169, Taiwan.

Tel: +886-6-2602922

(2)Taiwan Subsidiary Company and Offices

Name 1: Spring Rich Limited.

Tel 1: +886-4-7562800

Address 1: No. 575 Hegang Rd., Hemei Township, Changhua County 508, Taiwan.

Name 2: Paiho Shih Holdings Corporation. (Taiwan office)

Tel 2: +886-4-7561340

Address 2: No.575, Ho Kang Rd., Hemei Township, Changhua County 508, Taiwan.

(3)Vietnam Subsidiary Company

Name 1: Vietnam Paiho Limited.

Tel 1: +84-28-37540103~8

Address 1: Lot 30-32-34, Rd., No.3, Tan Tao Industry Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Vietnam.

Name 2: Vietnam Paihong Limited Company.

Tel 2: +84-274-6272288

Address 2: Lo C_6A_CN, Bau Bang Industrial Zone Extension, Lai Uyen Town, Bau Bang District, Binh Duong Province, Vietnam.

(4)Indonesia Subsidiary Company

Name: PT. Paiho Indonesia.

Tel: +62-266-6323822

Address: Jl. Perintis Kemerdekaan Km.6 Kp. Cimenteng Rt.001 Rw. 005, Sukamulya, Cikembar, Kab. Sukabumi, Jawa Barat.

(5)America Subsidiary Company

Name: Paiho North America Corporation.

Tel: +1-661-2576611

Address: 16051 El Prado Rd., Chino, CA 91708 U.S.A.

(6)Wuxi Subsidiary Company

Name 1: Thomas Dynamic Material (Jiangsu) Co., Ltd. (Original Company Name is Wuxi Paiho Textile Co., Ltd.)

Tel 1: +86-510-88261688

Address 1: No.18 Hexin Rd., Xishan Enconomic Development District, Wuxi City, Jiangsu, China.

Name 2: Wuxi Paisen Commerce Co., Ltd.

Tel 2: +86-510-88266979

Address 2: No.18 Hexin Rd., Xishan Economic Development District, Wuxi City, Jiangsu, China.

Name 3: Wuxi Paihong Real Estate Co., Ltd.

Tel 3: +86-510-88789866

Address 3: No.1399, Dongxiang Rd., Anzhen St., Xishan District, Wuxi City, Jiangsu, China.

Name 4: Wuxi Paiwei Biotechnology Co., Ltd.

Tel 4: +86-510-88263199

Address 4: No.18 Hixin Rd., Xishan Enconomic Development District, Wuxi City, Jiangsu, China.

(7)Dongguan Subsidiary Company

Name 1: Dongguan Paiho Business Service Co., Ltd.

Tel 1: +86-769-88745111

Address 1: No.11 Paiho Rd., Hengliu Management District, Shatian Town, Dongwan City, Guangdong Province, China.

Name 2: Dongguan Paihong Industry Co., Ltd.

Tel 2: +86-769-88745111

Address 2: No.17, Huanbao Mid Road, Shatian Town, Dongguan City, Guangdong, China.

(8)Shanghai Subsidiary Company

Name: China Star International Limited.

Tel: +86-21-69575626

Address: No.6008, Northern Fu-I Rd., Waigang Jiading District, Shanghai City, China.

(The liquidation of China Star International Limited was completed in January, 2023)

3. Stock Transfer Agent:

Name: The Transfer Agency Department of CTBC Bank

Address: 5F, No.83, Sec. 1, Chung-Ching S. Rd, Taipei 10008, Taiwan.

Website: [http : //www. ctcbank.com](http://www.ctcbank.com)

Tel : +886-2-66365566

4. CPAs for Recent Annual Financial Statements:

Name of CPAs: Shu-Chin Chiang and Ting-Chien Su

Accounting Firm's Name: Deloitte Touche Tohmatsu Limited.

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

Website: [http : //www.deloitte.com.tw](http://www.deloitte.com.tw)

Tel: +886-2-27259988

Taichung Office Address: 22F, No.88 Sec. 1, Huizhong Rd., Xitun Dist.,Taichung, 40756, Taiwan.

Tel: +886-4-37059988

5. Name of any Overseas Securities Trading Agency and Method for Searching the Information of the Overseas Securities: Not applicable.

6. Company Website: [http : //www.paiho.com](http://www.paiho.com)

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I. Letter to Shareholders

We welcome our shareholders who are attending the Annual General Shareholders' Meeting and do thank you for your long-term trust and support. The Company's 2022 business operations and 2023 business plan is reported as follows:

1.1 2022 Business Report

2022 Annual Business Report

1.1.1 Business Implementation Outcome

Unit: NT\$ thousands

Item	2022	2021	Difference Amount	Difference (%)
Net Sales	\$16,270,386	\$18,287,786	(\$2,017,400)	(11.0)
Gross Profit	5,590,581	6,928,521	(1,337,940)	(19.3)
Profit from Operations	2,714,748	3,977,812	(1,263,064)	(31.8)
Profit Before Income Tax	2,570,634	4,026,897	(1,456,263)	(36.2)
Net Profit	1,788,781	2,666,050	(877,269)	(32.9)
Net Profit Attributable to Owners of the Corporation	1,520,410	2,059,783	(539,373)	(26.2)
<p>Change and Difference Analysis: Overall sales declined and operation costs went up in 2022 caused by Russia-Ukraine War, inflation and interest rate hiking. Furthermore, sales from property business decreased significantly as the selling entered the late stage. That caused the consolidated net revenue, operation margin and profit, and earnings before or after tax have gone down compared to 2021.</p>				

1.1.2 Budget Execution:

For the year of 2022, the Company has not established a financial forecast.

1.1.3 Financial Revenue/Expenditure and Profitability Analysis

Year		2022	2021
Item			
Capital Structure	Debt Ratio (%)	54.5	52.9
	Long-term Funds to Property, Plant and Equipment Ratio (%)	103.7	168.1
Liquidity	Current Ratio (%)	86.2	165.0
	Quick Ratio (%)	49.3	92.9
Profitability	Return on Total Assets (%)	6.7	9.2
	Return on Equity Attributable to Owners of the Corporation (%)	12.7	20.4
	Net Profit Margin (%)	11.0	14.6
	Earnings Per Share (NT\$)	5.10	6.91

1.1.4. Research and Development

In 2023, our development projects for new products include hook upper fabric, environmental shoelace and plain-woven fabric, eyelet knit webbing, hummingbird functional shoelaces, 3D double-layered knit webbing, loop-woven fabric label and hook webbing, and multi-color reflective lamination.

1.2 2023 Business Plan Overview

1.2.1 Operational Strategy

1. Deepen the concept of management for sustainable development, keep strengthening corporate governance, continue advocating and implementing various energy saving and carbon reduction measures and promote social engagement and employee care.
2. Promote, with full efforts, online digital marketing and respond to market demands for light weight, air permeability and comfort, and environmental protection, which will be the major directions of future marketing and innovation and R&D.
3. We will keep accelerating our global deployment and resource integration to make available local services which are fast and integrated.
4. Construct complete selling channels emphasizing innovative materials, which can start from giving total solutions during the production development stage, establishing close interaction with the major brands to reinforce partnerships of reciprocity.

5. To enable one-stop production in a diverse market, other than a growing talent pool for patterned woven fabric and Knitted Jacquard Mesh, related technology advancements have never stopped. We focus on yarn that is environmental, lightweight, breathable and with special functionalities, as well as the process techniques.
6. We will continue the innovative development procedures to discover new application possibilities and to meet the one-stop service need from customers.

1.2.2 Expected Sales Quantity and its Basis

With diversifying production and sales items and broad processing applications, we have a customer base coming from various industries with full recognition from the major brands. With increasing sales items, production and manufacturing capacities in Vietnam and Indonesia, our revenue from footwear and garments remain stable growth on top of the solid foundation, in addition to the witnessed performances from sector expansion and application exploitation.

1.2.3 Important Production and Marketing Policies

1. Following the sustainable policies from major brands, the Company is also pushing the uses of innovative materials, waste yarn recycling and repurpose, direct spray (to cut back dyeing) and carrying out various energy measures.
2. Making the digital catalogue perfect to sketch out the 3D sample/sampling system to maintain the development and interaction of audiovisual materials for the brand, and provide customers an online platform for selection and simulated design. Establishing different marketing modes and continuing to strengthen the interaction with brand customers to optimize the opportunity for development with brand customers and other customers through concerted effort.
3. We will diversify our market presence, explore the back-end process field to add values to our products, and build a project-base sales force to expand the business.
4. To cope with labor shortage under rising wages from all regions, we will use our processing technology with automated production procedures to allow not only labor and material saving on the customer end but also offer more product selections to achieve win-win situation.
5. We are under the process to integrate group-wide resource and material cost information, which will enable a flexible and faster delivery schedule under the ever-changing market condition, and better market position.

1.2.4 The Company's Future Development Strategy

1. Using our experience and foundation on hand, we will continue to engage with major brand customers for co-development and co-innovation to safeguard the ongoing business.
2. Green environment production, energy conservation and waste reduction, ESG implementation and fulfillment of corporate social responsibility.
3. Continue improving overseas production facilities and strengthen manufacturing capability in each site with the addition of service locations to shorten delivery time with nearby customer services for satisfactory and needs.
4. Our project-oriented sales teams, covering 3C, automobiles, aerospace accessories, military supplies, boutique suitcase and bags, etc., will conduct marketing campaigns based on the nature of the project.
5. To tackle the ever-changing competition and a diverse customer base and remain as a best strategic partner for our customers, our efforts on R&D, production technology and back-end process facilities will never stop.

1.2.5 Affected by the External Competitive Environment, Regulatory Environment, and Overall Business Environment

Not like our competitors who mostly concentrate on single products, we are more than a supplier in the main and auxiliary material sectors. Through years of experience and technology, we are able to provide better services and know-how to our customers. Moreover, our proven back-end procedures are capable of providing product designs and total solution to our customers. All these allow us to possess advantageous strengths and a foundation for a sustainable and long-lasting operation.

The Company values environmental protection and human rights. Each product is manufactured in accordance with RSL and EU REACH and ROHS regulations; also, meets the requirements of being non-toxic, harmless, chemical-free and heavy metal pollution-free of various international brands. The Company has setup production and sales offices in Taiwan, Wuxi and Dongguan in China, Vietnam, and Indonesia. Also, a service office is setup in Portland, USA to make a direct contact with the headquarters of international brands. Are with service bases setup nearby to provide customers with the fastest and best service. The Company's business model is beyond the reach of the peers in this industry, which is an excellent advantage for the Company's sustainable development.

After the rapid growth of global market in 2021, consecutive Fed rate hikes, Russia-Ukraine War and Zero Covid 19 policy in China, the global economy has slowed down. Facing the swift macro changes, the Company will strive even harder to expand income sources and cut down the expenditures through developing new

industrial and innovative products, making good use of the resources of its overseas and domestic bases, and implementing energy saving and carbon reduction, strengthening corporate governance and fulfilling corporate social responsibility for sustainable development.

Chairman:
Sen-Mei Cheng

General Manager:
Cheng-Wei Cheng

Accounting Officer:
Yao-Da Huang

II. Company Profile

2.1 Date of Establishment: January 14, 1985.

2.2 Company History

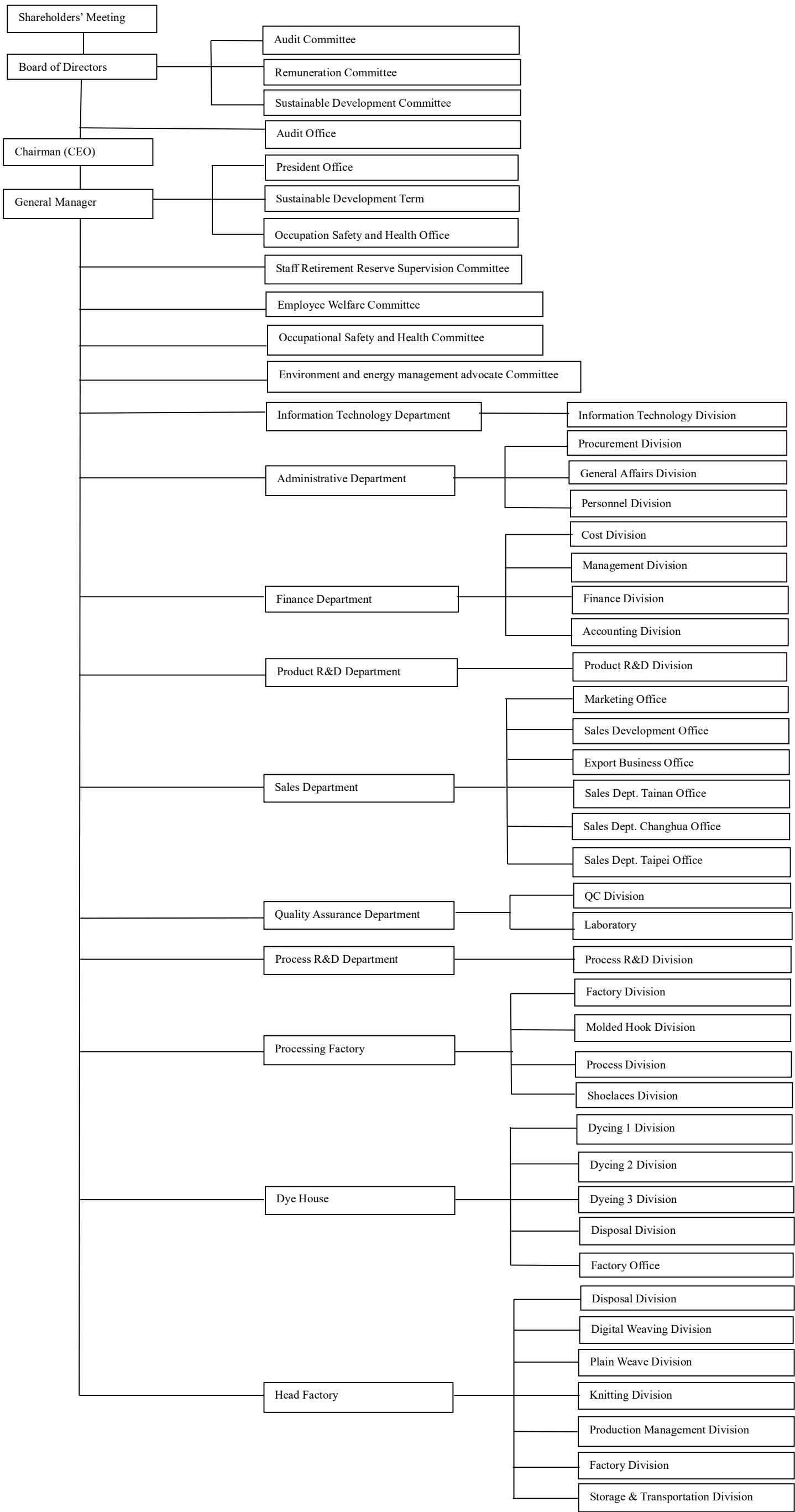
Year	Events
1985	1. Paiho, formerly known as San Ho Shin Limited, was established in 1979, production of touch fastener and elastic.
	2. Velcro (Nasdaq SC: VELCF) has teamed up with San Ho Shin Limited to established TAIWAN PAIHO LIMITED.
1990	1. Velcro (Nasdaq SC: VELCF) was dissolved on June 30, 1990 with the stock shares sold to domestic shareholders.
1997	1. The Company indirectly acquired the Dongguan Paiho Textile Limited (Dongguan Paiho Company) in China with 100% equity obtained. Dongguan Paiho Textile Limited was renamed to Dongguan Paiho Business Service Co., Ltd. in 2021.
1999	1. Invested and setup Vietnam Paiho Limited (Vietnam Paiho Company) in Vietnam with 100% equity obtained.
2000	1. On November 1, 2000, it was approved by the Taiwan Stock Exchange Corporation (TWSE) and stock listed on TWSE from January 12, 2001.
2001	1. The Company indirectly invested and setup Wuxi Paiho Textile Limited (Wuxi Paiho Company) in China with 100% equity obtained. Wuxi Paiho Textile Co., Ltd was renamed to Thomas Dynamic Material (Jiangsu) Co., Ltd in 2022. (Jiangsu Paihong Company)
2003	1. The Company indirectly invested in China Star International Limited (China Star Company) in China with 51% equity obtained, the shareholding was later increased to 100%.
2004	1. In order to expand the North American market, invested and set up Paiho North America Corporation (Paiho North America Company) in United States California with 100% equity obtained.
	2. The Company indirectly invested in Wuxi Paisem Chemical Fibre Co., (Wuxi Paisem Company) in China with 33.3% equity obtained. Wuxi Paisem Chemical Fibre Co., was renamed to Wuxi Paisen Commerce Co., Ltd. in 2021.
	3. The Company indirectly invested in Dongguan Paiho Powder Coating Co., Ltd (Dongguan Powder Company) with 75% equity obtained, the shareholding was later increased to 100%.
2005	1. The Company indirectly invested and setup Dongguan Paihong Industry Co., Ltd (Dongguan Paihong Company) with 100% equity obtained.
	2. Awarded certificate of enterprise operation headquarter issued by Industrial Development Bureau, Ministry of Economic Affairs.
2006	1. Cooperate with the US R&D team to purchase 5 Molded machines and expand the business of easy tape.
2007	1. The structure of the investment in Wuxi Paiho Company has been changed. Instead, the Company has invested in Paiho Int'l Limited (Paiho Int'l Company), which has then invested in Paiho Shih Holdings

Year	Events
2007	Corporation (Paiho Shih Company.) in the British Cayman Islands, and then invested in Hong Kong Antex Limited (Hong Kong Antex Company) thereafter, which has indirectly invested in Wuxi Paiho Company.
	2. Wuxi Paiho Company introduced external shareholders and had the company restructured with a shareholding system implemented; also, it was renamed as “Wuxi Paiho Textile Co., Ltd.”
	3. Awarded with “Taiwan Fine Product” by Taiwan Trade Development Council.
2008	1. Awarded the achievement award of Taiwan industrial textiles by Taiwan Industrial Textiles Association.
2010	1. The Company and Paiho Int'l Company indirectly invested in PT. Paiho Indonesia (Paiho Indonesia Company) with 99% and 1% equity obtained, respectively.
	2. On December 30, Paiho Shih Company was approved by the TWSE, become a first oversea company, and stock listed on TWSE since May 18, 2011.
2011	1. The Company acquired 99% equity of Paiho Indonesia Company held by Zhong Yuan Xing Ye Company Ltd (Zhong Yuan Xing Ye Company).
	2. Awarded with “Material Supplier Laboratory” certificate by Adidas.
2012	1. Awarded with “Supplier Certificate of Quality Management System” by Mizuno.
2013	1. Wuxi Paiho Company invested in Wuxi Paihong Real Estate Co., Ltd. (Wuxi Paihong Company) with 100% equity obtained.
	2. Awarded with "Best Small and Medium Enterprise" by the Ministry of Economic Affairs.
	3. Awarded with " FACT Division 1 Supplier" by Adidas.
	4. Develop Multi Directional Textile with Elasticity and Jacquard Digital Woven Fabric products, to enter the main material market.
2014	1. Awarded with Bluesign certified Trim Supplier.
	2. Invited by Adidas become part of the member in A-Team, is one of the 11 members in the world to be the most prospective development supplier, and the Company is the only one vice material supplier only one vice material supplier.
	3. Elected by Nike as the “Pioneer Supplier” in garment - as the strategic partner.
2015	1. Certified with ISO9001: 2008 Quality Management System.
	2. Certified with IATF 16949: 2009 Auto Industry Quality Management System.
2016	1. Awarded with “Manufacturing Excellence & Innovation” by Adidas.

Year	Events
2016	2. Awarded with "TITAS Contribution Award" by the Taiwan Textile Federation.
	3. Paiho Shih Company invested in Vietnam Paihong Limited Company (Vietnam Paihong Company) through Samoa Hon Shin Corp (Hon Shin Company) with 100% equity obtained.
2017	1. Awarded certificate of “4 th Session of Excellence Enterprise Award” from Ministry of Economic Affairs.
	2. Certified with ISO9001: 2015 Quality Management System.
2018	1. Wuxi Paiho Company invested in Wuxi Paiwei Biotechnology Co., Ltd. (Wuxi Paiwei Company) with 100% equity obtained.
	2. Certified with Aerospace Industry AS9100.
	3. Awarded the bronze medal for the talent development quality management system of the Workforce Development Agency, Ministry of Labor.
2019	1. Certified with ISO14001: 2015 Quality Control System Certification of easy tape.
2021	1. For group restructuring purposes, 34.29% shareholding of Dongguan Paihong Company previously owned by from Hong Kong Antex Company now is held by Wuxi Paiho Company.
	2. The 4.2% equity of Wuxi Paiho Company held by Paiho Int’l Company was transferred to Hong Kong Antex Company.
	3. The 2.59% equity of Wuxi Paiho Company held by Wuxi Paisen Company was transferred to Hong Kong Antex Company.
	4. The 100% equity of Wuxi Paiwei Company held by Wuxi Paiho Company was transferred to Hong Kong Antex Company.
	5. Shanghai Best Expectation Textile Trading Limited (Shanghai Best Expectation Company) was invested and set up by Wuxi Paiho Company to reinvest 100% of Hong Kong Best Expectation International Trading Limited (Hong Kong Best Expectation Company).
	6. Awarded with “Performance Award- Sustainability” by Adidas.
2022	1. Selling of all shareholding in Dongguan Powder Company to non-related parties.
	2. For group restructuring purposes, the shareholding of Vietnam Paihong Company, 100%, held by Hon Shin Corp. is sold to Hong Kong Best Expectation Company.
	3. For group restructuring purposes, shares of Shanghai Best Expectation Company owned by Jiangsu Paihong Company 51%, and Dongguan Paihong Company, 49%, respectively.
	4. China Star Company closed the operation and applied for the liquidation procedure.
	5. Awarded with “Performance Award- Sustainability” by Adidas.

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Responsibilities of Main Departments

Department	Primary Responsibility
Board of Director	Be responsible to the Shareholders' Meeting, implement the resolutions of the Shareholders' Meeting, and determine the Company's business plans and investment projects within the scope of authorization by the Shareholders' Meeting.
Audit Committee	Represents the Board of Directors to oversee the effective implementation of the preparation of financial reports and internal controls in order to ensure the credibility of financial reports and the compliance of the Company' activities.
Remuneration Committee	Establish and periodically assess and review the performance of directors and managerial officers as well as the policy, system, standard, and structure for the remuneration.
Sustainable Development Committee	Established the Company's sustainable development policies, strategies and implementation plans, and regularly report to the board of directors on the implementation and its effectiveness, or other sustainable development matters assigned by laws and regulations or the board of directors.
Audit Office	According to the Company's internal control system, execute audits regularly or irregularly, and submit audit reports as well as improvement solutions.
President Office	Plans the Company's mid-term and long-term operational strategy, reviews the Company's operating status at any time, and provides adjustments in a timely manner to respond to market changes.
Information Technology Department	The planning and execution of the Company's cyber security risk management, and planning & development of the information operating system, also input care and maintenance of related software and hardware.
Administrative Department	<ol style="list-style-type: none"> 1. Handle the appointment, attendance, business leave, education and training, performance evaluation, reward and punishment, resignation and welfare of the Company's personnel; and provide administrative and general affairs support to each department. 2. Plan the warehousing layout of the Company. 3. Procurement of raw materials, supplies and machinery equipment and import and export customer declaration operations. 4. Management and maintenance of Assets.

Department	Primary Responsibility
Finance Department	<ol style="list-style-type: none"> 1. For the scheduling and application of mid-term and long-term funds of the Company, evaluates the benefits of major investment and financing projects; also, provides timely financial analysis for reference in operational decision-making. 2. The regular bookkeeping records are recorded and published. Appropriately assesses special issues that have occurred or are about to occur, or provides the decision makers with digital solutions for problems and the preparation of financial statements. 3. Matters related to collection and payments.
Product R&D Department	Idea generation for product designs and innovative products for the Company.
Sales Department	The promotion of the Company's products and business, including the head office, Taipei office and Tainan office have sales departments.
Quality Assurance Department	<ol style="list-style-type: none"> 1. Establish quality system and promoting quality system. 2. Quality control and inspection of raw materials to the finished products. 3. Textile tests and various processed wearable products tests that have been certified by major sports brand customers.
Process R&D Department	<ol style="list-style-type: none"> 1. Research and development on production procedures and equipments. 2. Improvements on production technology efficiency. 3. Plant facility integration.
Processing Factory	<ol style="list-style-type: none"> 1. Research and development, manufacturing and processing of easy tapes related products. 2. Manufacturing, production and processing of shoelaces. 3. Various type of webbings, custom embossing services and printing processing. 4. Development, manufacturing and processing of reflective products.
Dye House	<ol style="list-style-type: none"> 1. Post-processing of various type touch fasteners. 2. Dyeing and finishing of touch fastener related products.
Head Factory	<ol style="list-style-type: none"> 1. Manufacturing and production of elastics. 2. Development, manufacturing and production of various type of webbings.

3.2 Background Information of Directors, General Manager, Vice General Managers, Senior Managers, and the Chiefs of all the Company's Department and Branch Offices

3.2.1 Information of the Directors

1. Information Sheet of the Directors

April 9, 2023

Title	Nationality or Place of Registration	Name	Gender/ Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	Ratio	Shares	Ratio	Ratio	Ratio	Shares	Ratio
Chairman	R.O.C.	Sen-Mei Cheng	Male 70-79	June 10, 2020	3	February 28, 1990	4,943,976	1.66%	4,943,976	1.66%	940,000	0.32%	10,757,856	3.61%
Vice Chairman	R.O.C.	Yi-Ming Lin	Male 60-69	June 10, 2020	3	December 21, 1990	4,510,976	1.51%	4,510,976	1.51%	119,492	0.04%	0	0.00%
Director	R.O.C.	Everise Investment Co., Ltd.	Male 40-49	June 10, 2020	3	June 10, 2020	9,282,856	3.12%	10,757,856	3.61%	0	0.00%	0	0.00%
	R.O.C.	Representative: Cheng-Wei Cheng		June 10, 2020	3	June 15, 2017	5,899,553	1.98%	6,119,553	2.05%	560,551	0.19%	0	0.00%
Director	R.O.C.	Hsi-Ming Pai	Male 70-79	June 10, 2020	3	June 27, 2002	697,821	0.23%	697,821	0.23%	2,874	0.00%	0	0.00%
Director	R.O.C.	Yi-Lun Cheng	Female 40-49	June 10, 2020	3	June 10, 2020	2,593,021	0.87%	2,593,021	0.87%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Jui-Lin Lo	Male 50-59	June 10 2020	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Chung-Cheng Wang	Male 70-79	June 10, 2020	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Chia-Yu Chen	Female 40-49	June 10, 2020	3	June 15, 2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Directors and Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
Chairman	Sen-Mei Cheng	<ul style="list-style-type: none"> • Pei-Ying Elementary School. • Director of Business, Song Dian Vehicle Co., Ltd. • General Manager of Taiwan Paiho Limited. 	Note 1	Vice Chairman Institutional Representative Executive Vice General Manager	Yi-Ming Lin Cheng-Wei Cheng Cheng-Tsung Cheng	The second degree The first degree The first degree	Note 4
Vice Chairman	Yi-Ming Lin	<ul style="list-style-type: none"> • Department of Business Administration, Tamkang University • Senior Manager of Sales Department, Taiwan Paiho Limited. 	Note 2	Chairman	Sen-Mei Cheng	The second degree	None
Director	Everise Investment Co., Ltd.	<ul style="list-style-type: none"> • Department of Statistics, Macquarie University. • Vice General Manager of President Office, Taiwan Paiho Limited. 	Note 3	Chairman Executive Vice General Manager	Sen-Mei Cheng Cheng-Tsung Cheng	The first degree The second degree	Note 4
	Representative: Cheng-Wei Cheng						
Director	Hsi-Ming Pai	<ul style="list-style-type: none"> • Lukang Senior High School. • Director of Century Storage Co., Ltd. • Chairman of Dongguan Jinwang Foam Co., Ltd. 	<ul style="list-style-type: none"> • Chairman of Chin Ifeng Industrial Co., Ltd. • Chairman of Chin Jinfeng Chemical Industrial Co., Ltd. • Chairman of Chin Shing Industrial Co., Ltd. 	None	None	None	None
Director	Yi-Lun Cheng	<ul style="list-style-type: none"> • Department of Accounting, Macquarie University. • Assistant Director of Taiwan Paiho Limited. 	<ul style="list-style-type: none"> • Manger, Finance Department of Taiwan Paiho Limited. • Director of Paiho Indonesia Company. • Director of Vietnam Paiho Company. 	None	None	None	None
Independent Director	Jui-Lin Lo	<ul style="list-style-type: none"> • Bachelor of Accounting, Chung Yuan Christian University. • CPA, Deloitte & Touche. 	<ul style="list-style-type: none"> • CPA, Hsu Cheng Certified Public Accountant. • Independent director and member of Remuneration Committee, Giant Manufacturing Co., Ltd. • Independent director and member of Remuneration Committee, WFE Technology Corp. 	None	None	None	None

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Directors and Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
Independent Director	Chung-Cheng Wang	<ul style="list-style-type: none"> • Department of administration, National Taichung College of Business. • Vice Chairman and General Manager of Sweeten Real Estate Development Co., Ltd. • Director of Construction Company. • Senior Manager of Tah Hsin Industrial Co., Ltd. • Supervisor of Tah Hsin Corporation, Japan. • The 10th Chairman of Taichung Real Estate Development Association. • The 12th President of Taichung Builders, Club. • The 15th President of the Listed Elite Association in Central China. • The 10th President of the Rotary Corporation Club of Taichung North-West. • The Founding Executive Director and 5th Chairman of the Taiwan Action Buddha Society. 	<ul style="list-style-type: none"> • Chairman of Huahsiang Construction Co., Ltd. • Director of Pinda Investment Co., Ltd. • Director of Sweeten Education Foundation. • Taichung Real Estate Development Association - Member of the Policy Discussion and Promotion Committee. • Consultant of Taichung Lifeline. 	None	None	None	None
Independent Director	Chia-Yu Chen	<ul style="list-style-type: none"> • Bachelor of Accounting, Providence University. • Master of Finance Institute, National Chiao Tung University. • Audit Team In-charge, PwC Taiwan. • Director of Audit, Taiwan Paiho Limited. • Certified Professional in Corporate Sustainability Management. 	<ul style="list-style-type: none"> • Manager of Finance Department, Elite Semiconductor Memory Technology Inc. 	None	None	None	None

Note:

1. Chairman and CEO of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Company, Director of He Mei Xing Ye Company Ltd (He Mei Xing Ye Company), Director of Vietnam Paiho Company, Director of Braits Company Limited (Braits Company), Director of Wuxi Paisen Company, Director of Zhong Yuan Xing Ye Company, and Director of Paiho Indonesia Company.
2. Vice chairman and Vice General Manager of Sales Department of the Company, Director of Dongguan Paiho Company, Director of He Mei Xing Ye Company, Director of Zhong Yuan Xing Ye Company, Director of Braits Company, Chairman of Paiho North America Company, Director of Wuxi Paisen Company, and Director of Paiho Indonesia Company.
3. Institutional representative and General Manager of the Company, Director of Paiho North America Company, and Director of Braits Company.
4. If the Chairman of the Company and the General Manager or equivalent (the top managerial officer) are the same person, relatives of each other such as, spouse or the relative in the 1st degree of kinship, should explain the reasons, rationality, necessity and corresponding measures:
The Chairman and the General Manager are related to the 1st degree of kinship, which is for the purpose of improving operating efficiency and decision-making process. However, in order to strengthen the independence of the Board of Directors, the Company intends to increase the number of independent directors in the 2023 shareholders' meeting to enhance the functions of the Board of Directors and to strengthen its supervisory functions. The specific measures of the Company are as follows:
(1) The current three independent directors are specialists in the fields of finance, accounting and industry; also, they can effectively exercise their supervisory functions.
(2) Arrange continuing education for board directors every year to enhance the operating efficiency of the Board of Directors.
(3) Independent directors can fully discuss and make recommendations in each functional committee for the references of board directors in order to implement corporate governance.

2. Major Shareholder of the Institutional Shareholder

April 9, 2023

Name of the Institutional Shareholder	Major Shareholder
Everise Investment Co., Ltd.	Sen-Mei Cheng (12.97%) A-Wei Chen Cheng (55.22%) Cheng-Wei Cheng (13.63%) Cheng-Tsung Cheng (13.63%) Chia-Yin Cheng (4.55%)

3. Disclosure of Information as Professional Qualifications and Independent Status of Directors and Independent Directors

Requirements Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies Concurrently Serving as an Independent Director
Sen-Mei Cheng	<p>(1) Possess professional background and experience in operation management, industry sectors, marketing, and the Company's business.</p> <p>(2) Currently serving as Chairman and CEO of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Company, Director of He Mei Xing Ye Company, Director of Vietnam Paiho Company, Director of Braits Company, Director of Wuxi Paisen Company, Director of Zhong Yuan Xing Ye Company, and Director of Paiho Indonesia Company.</p> <p>(3) Once worked as director of Business, Song Dian Vehicle Co., Ltd and General Manager of the Company.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Yi-Ming Lin	<p>(1) Possess professional background and experience in operation management, industry sectors, marketing, and the Company's business.</p> <p>(2) Currently serving as Vice chairman and Vice General Manager of Sales Department of the Company, Director of Dongguan Paiho Company, Director of He Mei Xing Ye Company, Director of Zhong Yuan Xing Ye Company, Director of Braits Company, Chairman of Paiho North America Company, Director of Wuxi Paisen Company, and Director of Paiho Indonesia Company.</p> <p>(3) Once worked as senior manager of Sales Department of the Company.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Everise Investment Co., Ltd. Representative: Cheng-Wei Cheng	<p>(1) Possess professional background and experience in operation management, industry sectors, marketing, and the Company's business.</p> <p>(2) Currently serving as institutional representative and General Manager of the Company, Director of Paiho North America Company, and Director of Braits Company.</p> <p>(3) Once worked as vice general manager of president office of the Company.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Hsi-Ming Pai	<p>(1) Possess professional background and experience in operation management, marketing, risk management and the Company's business.</p> <p>(2) Currently serving as Chairman of Chin Ifeng Industrial Co., Ltd., Chairman of Chin Jinfeng Chemical Industrial Co., Ltd, and Chairman of Chin Shing Industrial Co., Ltd.</p> <p>(3) Once worked as director of Century Storage Co., Ltd and Chairman of Dongguan Jinwang Foam Co., Ltd.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Yi-Lun Cheng	<p>(1) Possess professional background and experience in accounting, finance and the Company's business.</p> <p>(2) Currently serving as Manager, Finance Department of the Company, Director of Paiho Indonesia Company, and Director of Vietnam Paiho Company.</p> <p>(3) Once worked as Assistant Director, Finance Department of the Company.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	Not applicable	0
Independent Director	(1) Possess professional background and experience in accounting, finance, law, corporate governance and the Company's business.	(1) Independent status of the independent directors of the Company.	2

Requirements Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies Concurrently Serving as an Independent Director
Jui-Lin Lo	<p>(2) Currently serving as CPA, Hsu Cheng Certified Public Accountant, Independent Director and Member of Remuneration Committee, Giant Manufacturing Co., Ltd., and Independent Director and Member of Remuneration Committee, WFE Technology Corp.</p> <p>(3) Once worked as CPA, Deloitte & Touche.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>(2) The director, nor his/her spouse or relative within the second degree of kinship, is not a director, supervisor or employee of the Company or any of its affiliates, not a shareholder of the Company nor a director, supervisor or employee in a specific entity to the Company.</p> <p>(3) No compensation has been received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate in the past 2 years.</p>	
Independent Director Chia-Yu Chen	<p>(1) Possess professional background and experience in accounting, finance, sustainability management and the Company's business.</p> <p>(2) Currently serving as Manager of Finance Department, Elite Semiconductor Memory Technology Inc.</p> <p>(3) Once worked as audit team in-charge, PwC Taiwan, and director of audit, Taiwan Paiho Limited.</p> <p>(4) Certified Professional in Corporate Sustainability Management.</p> <p>(5) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>(1) Independent status of the independent directors of the Company.</p> <p>(2) The director, nor his/her spouse or relative within the second degree of kinship, is not a director, supervisor or employee of the Company or any of its affiliates, not a shareholder of the Company nor a director, supervisor or employee in a specific entity to the Company.</p> <p>(3) No compensation has been received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate in the past 2 years.</p>	0
Independent Director Chung-Cheng Wang	<p>(1) Possess professional background and experience in operation management, marketing, risk management and the Company's business.</p> <p>(2) Currently serving as Chairman of Huaixiang Construction Co., Ltd., Director of Pinda Investment Co., Ltd., Director of Sweeten Education Foundation, Taichung Real Estate Development Association - Member of the Policy Discussion and Promotion Committee, and consultant of Taichung Lifeline.</p> <p>(3) Once worked as Vice Chairman and General Manager of Sweeten Real Estate Development Co., Ltd., Director of Construction Company, Senior Manager of Tah Hsin Industrial Co., Ltd., Supervisor of Tah Hsin Corporation, Japan, the 10th Chairman of Taichung Real Estate Development Association, the 12th President of Taichung Builders, Club, the 15th President of the Listed Elite Association in Central China, the 10^h President of the Rotary Corporation Club of Taichung North-West, and the Founding Executive Director and 5th Chairman of the Taiwan Action Buddha Society..</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>(1) Independent status of the independent directors of the Company.</p> <p>(2) The director, nor his/her spouse or relative within the second degree of kinship, is not a director, supervisor or employee of the Company or any of its affiliates, not a shareholder of the Company nor a director, supervisor or employee in a specific entity to the Company.</p> <p>(3) No compensation has been received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate in the past 2 years.</p>	0

4. Diversity and Independence of the Board of Directors:

(1) Diversity of the Board of Directors

The composition of Board of Directors shall take diversification factors into consideration, and the diversification policy is established based on what it might require by the operation, operational model and development needs, which shall include but not be limited to the two basic categories:

- ① Basic profile: gender and age.
- ② Professional knowledge and skills: professional background (such as legal, accounting, industry sectors, finance, marketing or technology), professional skills and industrial experience.

All members of the board shall have the knowledge, skills, and competence necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- ① Operation Judgment.
- ② Accounting Finance.
- ③ Business Management.
- ④ Crisis Handling.
- ⑤ Industry Knowledge.
- ⑥ International Market Outlook.
- ⑦ Leadership.
- ⑧ Decision Making.

(2) The Company's focus on the diversification of board members, the specific management objectives and implementation of the diversification policy is explained as follows:

- ① Four out of the eight board members (or 50%) are employees of the Company, three independent members (38%). Another seat for an independent director is expected to be added in the 2023 shareholders' meeting to increase the percentage to 40%.
- ② The Company has placed high importance on gender equality in the composition of the Board, with an aim of reaching 25% or more female board members. Currently, two out of eight board members (or 25%) are female, to uphold the gender equality for the composition of board members.
- ③ The Board of Directors is composed of senior professionals with backgrounds covering operation management, legal, finance, accounting, commerce and risk management. It's expected to add an independent director who having legal profession background.
- ④ Four directors are aged above 60, followed by one aged between 50-59, and three aged between 40-49 out of the total of eight members.

Implementation of the diversification policy for the composition of its Board of Directors

Diversify Core Items Name	Basic Composition							Professional Ability and Industry Experience							
	Nationality	Gender	Have Employee Identity	Age			Tenure and Seniority of Independent Directors Less than 9 Years	Business Management	Leadership Decision Making	Operation Judgment	Crisis Handling	International Market Outlook	Industry Knowledge	Accounting Finance	Legal
				40-49	50-59	Over 60									
Sen-Mei Cheng	R.O.C.	Male	V			V		V	V	V	V	V	V		
Yi-Ming Lin	R.O.C.	Male	V			V		V	V	V	V	V	V		
Representative of Everise Investment Co., Ltd. : Cheng-Wei Cheng	R.O.C.	Male	V	V				V	V	V	V	V	V	V	
Hsi-Ming Pai	R.O.C.	Male				V		V	V	V	V	V	V		
Yi-Lun Cheng	R.O.C.	Female	V	V				V		V	V	V	V	V	
Jui-Lin Lo	R.O.C.	Male			V		V	V	V	V	V	V		V	V
Chung-Cheng Wang	R.O.C.	Male				V	V	V	V	V	V	V	V	V	V
Chia-Yu Chen	R.O.C.	Female		V			V	V		V	V	V		V	V

(3) Independence of the Board of Directors:

The current Board is composed of eight directors, three independent members (37.5%). The independence statements were signed by the three independent directors before the nomination and after elected, who do not violate paragraph 3 and 4 under Article 26-3 in “Security and Exchange Act,” covering director’s spouse and relative within the second degree of kinship. All independent directors comply with the limitation of serving as an independent director in other companies, who shall not concurrently serve as an independent director of more than three other public companies, pursuant to “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”

3.2.2 Background Information of General Manager, Vice General Managers, Senior Managers, and the Chiefs of all the Company's Department and Branch Offices

April 9, 2023

Title	Nationality	Name	Gender	Date Effective	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement	
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)
CEO	R.O.C.	Sei-Mei Cheng	Male	August 9, 2017	4,943,976	1.66%	940,000	0.32%	10,757,856	3.61%
General Manager	R.O.C.	Cheng-Wei Cheng	Male	August 9, 2017	6,119,553	2.05%	560,551	0.19%	0	0.00%
Executive Vice General Manager, Sales Department	R.O.C.	Cheng-Tsung Cheng	Male	August 9, 2017	5,868,424	1.97%	258,840	0.09%	0	0.00%
Vice General Manager, Sales Department	R.O.C.	Yi-Ming Lin	Male	May 2, 2001	4,510,976	1.51%	119,492	0.04%	0	0.00%
Vice General Manager, President Office	R.O.C.	Kuei-Chu Yeh	Female	March 3, 2015	180,588	0.06%	0	0.00%	0	0.00%
Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House	R.O.C.	Tung-Yu Huang	Male	March 25, 2022	46,740	0.02%	0	0.00%	0	0.00%
Vice General Manager, Creative Product R&D Department concurrently as Vice General Manager, Marketing Department	R.O.C.	Huan-Tung Tseng	Male	March 25, 2022	14,066	0.00%	6,179	0.00%	0	0.00%
Vice General Manager of Head Factory	R.O.C.	Hui-Huang Huang	Male	March 25, 2022	2,000	0.00%	0	0.00%	0	0.00%
Senior Manager, Sales Department	R.O.C.	Kuo-Chih Lai	Male	July 1, 2012	24,492	0.01%	0	0.00%	0	0.00%
Project Senior Manager, Sales Department	R.O.C.	Mei-Ting Yang	Male	August 1, 2012	3,000	0.00%	4,000	0.00%	0	0.00%
Vice Senior Manager, Finance Department	R.O.C.	Yao-Da Huang	Male	February 15, 2011	12,000	0.00%	1,210	0.00%	0	0.00%
Vice Senior Manager, Sales Development	R.O.C.	Po-Hsun Huang	Male	March 14, 2016	0	0.00%	0	0.00%	0	0.00%
Manager, Quality Assurance Department	R.O.C.	Hsing-Ju Chiang	Female	October 1, 2014	0	0.00%	0	0.00%	0	0.00%
Manager of Information Technology Department	R.O.C.	Hung-Chang Cheng	Male	January 11, 2005	65	0.00%	588	0.00%	0	0.00%
Manager of Information Technology Department	R.O.C.	Yu-Ling Liang	Female	February 9, 2022	14,928	0.01%	0	0.00%	0	0.00%
Deputy Factory Director, Process R&D Department	R.O.C.	Ming-An, Hsu	Male	February 9, 2022	0	0.00%	11,000	0.00%	0	0.00%
Assistant Manager, Audit Office	R.O.C.	Mei-Chin Hsin	Female	January 1, 2020	3,274	0.00%	2,000	0.00%	0	0.00%
Corporate Governance Officer- Special Assistant	R.O.C.	Yi-Wen Liao	Female	March 24, 2021	0	0.00%	0	0.00%	0	0.00%

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
CEO	Sei-Mei Cheng	<ul style="list-style-type: none"> • Pei-Ying Elementary School. • Director of Business, Song Dian Vehicle Co., Ltd. • General Manager, Taiwan Paiho Limited. 	Note 1	General Manager Executive Vice General Manager Vice General Manager	Cheng-Wei Cheng Cheng-Tsung Cheng Yi-Ming Lin	The first degree The first degree The second degree	Note 5
General Manager	Cheng-Wei Cheng	<ul style="list-style-type: none"> • Department of Statistics, Macquarie University • Vice General Manager of President Office, Taiwan Paiho Limited. 	Note 2	CEO Executive Vice General Manager	Sei-Mei Cheng Cheng-Tsung Cheng	The first degree The second degree	Note 5
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng	<ul style="list-style-type: none"> • Department of Japanese, Macquarie University 	Note 3	CEO General Manager	Sei-Mei Cheng Cheng-Wei Cheng	The first degree The second degree	None
Vice General Manager, Sales Department	Yi-Ming Lin	<ul style="list-style-type: none"> • Department of Business Administration, Tamkang University. • Senior Manager of Sales Department, Taiwan Paiho Limited. 	Note 4	CEO	Sei-Mei Cheng	The second degree	None
Vice General Manager, President Office	Kuei-Chu Yeh	<ul style="list-style-type: none"> • Master of International Business Administration, National Changhua University of Education. • Production Specialist, the Second Credit Cooperative Association of Changhua. 	<ul style="list-style-type: none"> • Director of San Ho Xing Co., Ltd. • Supervisor of PT. Paiho Indonesia. • Member of Remuneration Committee, Honmyue Enterprise Co., Ltd. 	None	None	None	None
Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House	Tung-Yu Huang	<ul style="list-style-type: none"> • Department of Mechanical Engineering, Lien Ho College of Technology & Commerce 	None	None	None	None	None
Vice General Manager, Creative Product R&D Department concurrently as Vice General Manager, Marketing Department	Huan-Tung Tseng	<ul style="list-style-type: none"> • Department of Economics, Chinese Culture University. 	None	None	None	None	None
Vice General Manager of Head Factory	Hui-Huang Huang	<ul style="list-style-type: none"> • Department of Mechanical Engineering, Lunghwa Junior College of Technology. 	None	None	None	None	None

Title	Name	Education & Selected Past Positions	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Within Two Degrees of Kinship			The Chairman of the Board of Directors and the General Manager or Person of an Equivalent Post (the Highest Level Manager) of a Company are the Same Person, Spouses, or Relatives Within the First Degree of Kinship
				Title	Name	Relation	
Senior Manager, Sales Department	Kuo-Chih Lai	• Department of Business Administration, Ling Tung Junior College of Accounting.	None	None	None	None	None
Project Senior Manager, Sales Department	Mei-Ting Yang	• Department of Agriculture food processing, Taiwan Provincial Chiayi Junior College of Agriculture.	None	None	None	None	None
Vice Senior Manager, Finance Department	Yao- Da Huang	• Master of Accounting and Finance Institute, Feng Chia University.	None	None	None	None	None
Vice Senior Manager, Sales Development	Po-Hsun Huang	• Department of Public Health , Chung Shan Medical University.	None	None	None	None	None
Manager, Quality Assurance Department	Hsing-Ju Chiang	• Department of Textile with Chemistry focus, National Taipei Institute of Technology.	None	None	None	None	None
Manage, Information Technology Department	Hung-Chang Cheng	• Department of International Trade, Chung Yuan Christian University.	None	None	None	None	None
Manage, Information Technology Department	Yu-Ling Liang	• Department of Information Management, Chienkuo Technology University. • Master of Business Administration, Feng Chia University.	None	None	None	None	None
Deputy Factory Director, Process R&D Department	Ming-An, Hsu	• Junior High School.	None	None	None	None	None
Assistant Manager, Audit Office	Mei-Chin Hsin	• Associate Degree in Accounting, National Taichung College of Business.	None	None	None	None	None
Corporate Governance Officer- Special Assistant	Yi-Wen Liao	• Department of Accounting, Tunghai University. • Certified Public Accountant (CPA) License.	None	None	None	None	None

Note:

1. Chairman and CEO of the Company, Director of Dongguan Paiho Company, Director of Paiho Int'l Company, Director of He Mei Xing Ye Company, Director of Vietnam Paiho Company, Director of Braits Company, Director of Wuxi Paisen Company, Director of Zhong Yuan Xing Ye Company, and Director of Paiho Indonesia Company.
2. Institutional Representative and General Manager of the Company, Director of Paiho North America Company, and Director of Braits Company.
3. Also serves as Director of He Mei Xing Ye Company, Director of Paiho Holdings Company, Director of Zhong Yuan Xing Ye Company, Director of Wuxi Paisen Company, Chairman of Paiho Indonesia Company, Chairman of Spring Rich Limited, Director of Paiho Int'l Company and Chairman of Vietnam Paiho Company.

4. Vice Chairman and Vice General Manager of Sales Department of the Company, Director of Dongguan Paiho Company, Director of He Mei Xing Ye Company, Director of Zhong Yuan Xing Ye Company, Director of Braits Company, Chairman of Paiho North America Company, Director of Wuxi Paisen Company, and Director of Paiho Indonesia Company.
5. If the Chairman of the Company and the General Manager or equivalent (the top managerial officer) are the same person, relatives of each other such as, spouse or the relative in the 1st degree of kinship, should explain the reasons, rationality, necessity and corresponding measures:

The Chairman and the General Manager are related to the 1st degree of kinship, which is for the purpose of improving operating efficiency and decision-making process. However, in order to strengthen the independence of the Board of Directors, the Company intends to increase the number of independent directors in the 2023 shareholders' meeting to enhance the functions of the Board of Directors and to strengthen its supervisory functions. The specific measures of the Company are as follows:

- (1) The current three independent directors are specialists in the fields of finance, accounting and industry; also, they can effectively exercise their supervisory functions.
- (2) Arrange continuing education for board directors every year to enhance the operating efficiency of the Board of Directors.
- (3) Independent directors can fully discuss and make recommendations in each functional committee for the references of board directors in order to implement corporate governance.

3.3 The Remuneration Paid to Directors, Independent Directors, General Manager, and Vice General Managers in the Recent Year

3.3.1 Remuneration Paid to Directors and Independent Directors

December 31, 2022; Unit: NT\$ thousands

Title	Name	Directors' Remuneration								(A+B+C+D) as % of Net Profit (Note 3)		Compensation Earned as Employee of the Company or of the Company's Affiliates								(A+B+C+D+E+F+G) as % of Net Profit (Note 3)		Other Compensations from Nonsubsidiary Affiliates or Parent Company
		Salary (A)		Pension (B)		Remunerations (C) (Note 1)		Allowance (D)				Salary, Bonus and Special Fees etc. (E)		Pension (F)		Employee Compensation (G) (Note 2)						
		The Company	Consolidated Entities	The Company	Consolidated Entities)	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Sen-Mei Cheng	240	240	0	0	17,233	17,233	400	400	17,873 1.18%	17,873 1.18%	17,194	66,752	0	0	4,500	0	4,500	0	39,567 2.60%	89,125 5.86%	0
Director	Yi-Ming Lin																					
Director	Representative of Everise Investment Co., Ltd: Cheng-Wei Cheng																					
Director	Hsi-Ming Pai																					
Director	Yi-Lun Cheng																					
Independent Director	Chung-Cheng Wang	2,520	2,520	0	0	0	0	240	240	2,760 0.18%	2,760 0.18%	0	0	0	0	0	0	0	0	2,760 0.18%	2,760 0.18%	0
Independent Director	Jui-Lin Lo																					
Independent Director	Chia-Yu Chen																					

Note 1: Directors profit distribution are based on the proposal approved by the Board of Directors.

Note 2: Calculated on the basis of the resolution of the Board in 2023 on the distribution of earnings to employees as remuneration in 2022.

Note 3: Calculated based on the net profit of NT\$1,520,410 thousand in the 2022 Financial Statement.

Note 4: The policy, systems, standards and structure of remuneration of independent directors; also, describe the correlation with the amount of remuneration according to the responsibilities, risks and time invested:

The Board of Directors is authorized to discuss and determine the remuneration of the independent directors for the paid for factors, such as, the degree of their participation in the Company's operations, the value of their contribution to the Company and the payment level of the industry. The remuneration of independent directors for this year includes attendance fee and monthly remuneration.

Note 5: Compensation received by directors for providing services to entities included in the consolidated financial statements (as a non-payroll basis consultant to the parent, any entities in the consolidated financial statements or any investee entities): None.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Aggregate Amount of the Preceding Four Remuneration Items (A+B+C+D)		Aggregate Amount of the Preceding Seven Remuneration Items (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities (I)
Less than NT\$1 million	Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen	Jui-Lin Lo Chung-Cheng Wang Chia-Yu Chen
NT\$ 1 million (included) ~ \$ 2 million (excluded)	Hsi-Ming Pai Yi-Lun Cheng	Hsi-Ming Pai Yi-Lun Cheng	Hsi-Ming Pai	Hsi-Ming Pai
NT\$ 2 million (included) ~ \$ 3. 5 million (excluded)	Yi-Ming Lin Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng	Yi-Ming Lin Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng	Yi-Ming Lin	None
NT\$ 3.5 million (included) ~ \$ 5 million (excluded)	None	None	Yi-Lun Cheng	Yi-Lun Cheng
NT\$ 5 million (included) ~ \$10 million (excluded)	Sen-Mei Cheng	Sen-Mei Cheng	Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng	None
NT\$10 million (included) ~ \$ 15 million (excluded)	None	None	None	None
NT\$15 million (included) ~ \$ 30 million (excluded)	None	None	Sen-Mei Cheng	Yi-Ming Lin Representative of Everise Investment Co., Ltd : Cheng-Wei Cheng
NT\$30 million (included) ~ \$ 50 million (excluded)	None	None	None	Sen-Mei Cheng
NT\$50 million (included) ~ \$100 million (excluded)	None	None	None	None
Above NT\$100 million	None	None	None	None
Total	8 People	8 People	8 People	8 People

3.3.2 Remuneration Paid to the General Manager and Vice General Managers

December 31, 2022 ; Unit: NT\$ thousands

Title	Name	Salary (A)		Pension (B)		Bonuses and Special Fees etc. (C)		Employee Compensation (D) (Note 1)				(A+B+C+D) as % of Net Profit (Note 2)		Other Compensation from Nonsubsidiary Affiliates or Parent Company
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
								Cash	Stock	Cash	Stock			
CEO	Sen-Mei Cheng	15,835	18,753	0	0	24,758	79,398	8,500	0	8,500	0	49,093 3.23%	106,651 7.01%	0
General Manager	Cheng-Wei Cheng													
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng													
Vice General Manager, Sales Department	Yi-Ming Lin													
Vice General Manager, President office	Kuei-Chu Yeh													
Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House	Tung-Yu Huang (Note 3)													
Vice General Manager, Creative Product R&D Department concurrently as Vice General Manager, Marketing Department	Huan-Tung Tseng (Note 3)													
Vice General Manager of Head Factory	Hui-Huang Huang (Note 3)													

Note 1: Calculated on the basis of the resolution of the Board in 2023 on the distribution of earnings to employees as remuneration in 2022.

Note 2: Calculated based on the net profit of NT\$1,520,410 thousand in the 2022 Financial Statement.

Note 3: Assume office on March 25, 2022.

Range of Remuneration	Name of General Manager and Vice General Managers	
	The Company	Consolidated Entities (E)
Less than NT\$1 million	Yi-Ming Lin	None
NT\$ 1 million (included)～ \$ 2 million (excluded)	None	None
NT\$2 million (included)～ \$ 3.5 million (excluded)	Huan-Tung Tseng	Huan-Tung Tseng
NT\$3.5 million (included)～ \$ 5 million (excluded)	None	None
NT\$5 million (included)～ \$10 million (excluded)	Cheng-Wei Cheng Cheng-Tsung Cheng Kuei-Chu Yeh Tung-Yu Huang Hui-Huang Huang	Kuei-Chu Yeh Tung-Yu Huang Hui-Huang Huang
NT\$10 million (included)～ \$ 15 million (excluded)	Sen-Mei Cheng	Cheng-Wei Cheng Cheng-Tsung Cheng
NT\$15 million (included)～ \$ 30 million (excluded)	None	Yi-Ming Lin
NT\$30 million (included)～ \$ 50 million (excluded)	None	Sen-Mei Cheng
NT\$50 million (included)～ \$100 million (excluded)	None	None
Above NT\$100 million	None	None
Total	8 People	8 People

3.3.3 Distribution of Employee' Compensation Paid to Managerial Officers

December 31, 2022
Unit: NT\$ thousands

	Title	Name	Amount of stock	Amount of cash	Total	Ratio of Total Amount to Net Profit (%)
Managerial Officers	CEO	Sen-Mei Cheng	0	7,860	7,860	0.52%
	General Manager	Cheng-Wei Cheng				
	Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng				
	Vice General Manager, Sales Department	Yi-Ming Lin				
	Vice General Manager, President Office	Kuei-Chu Yeh				
	Vice General Manager, Creative Product R&D Department concurrently as Vice General Manager, Marketing Department	Huan-Tung Tseng				
	Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House	Tung-Yu Huang				
	Vice General Manager of Head Factory	Hui-Huang Huang				
	Senior Manager, Sales Department	Kuo-Chih Lai				
	Project Senior Manager, Sales Department	Mei-Ting Yang				
	Vice Senior Manager, Finance Department	Yao-Da Huang				
	Vice Senior Manager, Sales Development	Po-Hsun Huang				
	Corporate Governance Officer- Special Assistant	Yi-Wen Liao				

Note 1: Calculated on the basis of the resolution of the Board in 2023 on the distribution of earnings to employees as remuneration in 2022.

Note 2: Net profit of 2022 Financial Statement is NT\$1,520,410 thousand.

3.3.4 Analyze Total Remuneration, as a Percentage of Net Profit Stated in the Financial Reports, as Paid by this Company and by Each Other Company Included in the Consolidated Financial Statements in the Past Two Years to Directors, General Manager and Vice General Managers

1. Analyze Total Remuneration, as a Percentage of Net Profit Stated in the Financial Reports, as Paid by This Company and by Each Other Company Included in the Consolidated Financial Statements in the Past Two Years to Directors, General Manager and Vice General Managers

Unit: NT\$ thousand; %

Item Title	The Company				Consolidated Entities			
	2021		2022		2021		2022	
	Total Amount	as % of Net Profit	Total Amount	as % of Net Profit	Total Amount	as % of Net Profit	Total Amount	as % of Net Profit
Directors	55,518	2.69	42,327	2.78	126,086	6.12	91,885	6.04
General Manager and Vice General Managers	45,152	2.19	49,093	3.23	111,573	5.42	106,651	7.01

2. Policy, Standard, and Combination for Payment of Remuneration, Establishment of Procedures of Remuneration, and Correlation between the Business Performance and Future Risk

(1) Members of our auditing committee (co-seated by our independent directors), remuneration committee and sustainable development committee receive fixed compensation. Other board directors receive no extra considerations, other than participating in the functional committee and attendance fees for participating in board meetings. Under the internal regulations of the Company currently in effect, the amount of remuneration to Directors shall not be higher than 2% of the earnings before taxation and the deduction for the remunerations to the employees and Directors, and the rules under the “Regulations Governing the Remunerations to Directors” subject to the review of the Remuneration Committee and resolution of the Board before disbursement.

(2) Duties and responsibilities of general managers and vice general managers cover all business execution and management, the compensation for the position include salary (monthly) and annual bonus (including employee compensation). The salary portion is decided with reference to industry standards, factored in job title, job level, professional competency and duties under one’s charge. The annual bonus is decided with reference to the bonus components from base, overall performance, comprehensive performance and employee compensation. The evaluation takes account of parameters from position level, duty level, individual performance (work nature and performance) and financial indicators (such as annual results), and partially connects with factors not directly attributed to operation result from the

current year (such as new product development, new business expansion and organization matters). The compensation policy is adjusted promptly according to the operation status and when required by the regulation and laws.

- (3) To strengthen inter-group resource integration and production development, additional positions of vice president were created in 2022. In the meantime, due to the impact of the Ukraine War, the inflation, and rising material and labor costs, the overall profitability went down and resulted in a higher percentage of profit sharing by the directors and managers than 2021.

3.4 The State of the Company's Implementation of Corporate Governance:

3.4.1 The State of Operations of the Board of Directors

1. 8 (A) Meetings of the Board of Directors were Held in 2022. The Attendance Status of the Directors is as Follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】	Note
Chairman	Sen-Mei Cheng	8	0	100.0	Renewal of office on June 10, 2020.
Vice Chairman	Yi-Ming Lin	8	0	100.0	Renewal of office on June 10, 2020.
Director	Representative of Everise Investment Co., Ltd. : Cheng-Wei Cheng	8	0	100.0	Assume office on June 10, 2020
Director	Hsi-Ming Pai	8	0	100.0	Renewal of office on June 10, 2020.
Director	Yi-Lun Cheng	8	0	100.0	Assume office on June 10, 2020
Independent Director	Jui-Lin Lo	8	0	100.0	Renewal of office on June 10, 2020.
Independent Director	Chung-Cheng Wang	8	0	100.0	Renewal of office on June 10, 2020.
Independent Director	Chia-Yu Chen	8	0	100.0	Renewal of office on June 10, 2020.

2. Other matters to be noted

(1) Where any of the following circumstances occurs with respect to the operation of the Board of Directors, meeting dates, sessions, contents of resolutions, opinions of all independent directors, and actions taken by the Company in response to opinions of independent directors shall be noted

① Matters prescribed under Article 14-3 of the Securities and Exchange Act. :

Board Meeting Dates and Session in 2022	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
The 13 th meeting of the 13 th board March 25, 2022	1. To make endorsement/guarantees for its affiliates.	None	None
	2. 2022 CPAs' audit fees.		
	3. Assessment of the independence and competency of the CPA.		
	4. To sell 14.2857% shareholding of Leader Elastic Limited held by the Company.		
	5. On capital reduction of US\$ 4.5 million for Dongguan Powder Company.		
	6. Amendments to "Procedures for the Acquisition or Disposal of Assets."		
	7. Amendments to "Operational Procedures for Loaning of Company Funds."		
	8. Amend the construction budget used to build new plants by Vietnam Paihong Company.		
The 14 th meeting of the 13 th board May 6, 2022	1. To make endorsement/guarantees for its affiliates.	None	None
	2. Amendments to "Regulation Governing Making of Endorsements/Guarantees."		
	3. The dissolution and liquidation of China Star Company.		
	4. Selling of all shareholding in Dongguan Powder Company to non-related parties.		

Board Meeting Dates and Session in 2022	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
	5. Paiho Shih Company take part in a joint venture with several parties to establish a venture for an electrical bicycle assembly.		
The 15 th meeting of the 13 th board June 30, 2022	1. For group restructuring purposes, the shareholding of Vietnam Paihong Company, 100%, held by Hon Shin Corp. is sold to Hong Kong Best Expectation Company. 2. Capital increase for Shanghai Best Expectation Company and Hong Kong Best Expectation Company. 3. On capital reduction of US\$ 10 million for Wuxi Paisen Company.	None	None
The 16 th meeting of the 13 th board August 10, 2022	1. To make endorsement/guarantees for its affiliates.	None	None
The 17 th meeting of the 13 th board August 25, 2022	1. To make endorsement/guarantees for its affiliates. 2. Jiangsu Paihong Company merge Wuxi Paihong Company.	None	None
The 18 th meeting of the 13 th board October 6, 2022	1. Jiangsu Paihong Company acquire Unit 9-2001 on Lot A in Project XDG-2013-3 under Paiho International Mansion from Wuxi Paihong Company. 2. Wuxi Paihong Company selling property units with parking to the related parties.	None	None
The 19 th meeting of the 13 th board November 10, 2022	1. To make endorsement/guarantees for its affiliates. 2. Amendments to partial articles in the Company's "Internal Control System" and the associated "Implementation Rules for Internal Audits." 3. On capital reduction for Hon	None	None

Board Meeting Dates and Session in 2022	Contents of Resolutions	Independent Directors' Comments	The Company's Response to the Opinions of Independent Directors
	Shin Corp.		
The 20 th meeting of the 13 th board December 21, 2022	1. Approved the custodian of the Company's chop used for endorsement and guarantee.	None	None
	2. Capital increase of US\$ 2 million for Zhong Yuan Xing Ye Company.		
	3. Adjustment of director appointments to Vietnam Paiho Company.		
	4. Remuneration structure and payment to managerial personnel and directors.		
	5. Distribution of 2022 estimated bonus of managerial officers.		

② Except the aforementioned items, written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion: None.

(2) For any recusal of directors due to conflict of interests in certain proposals, names of directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted:

Board Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
The 15 th meeting of the 13 th board June 30, 2022	Sen-Mei Cheng Yi-Ming Lin	For group restructuring purposes, the shareholding of Vietnam Paihong Company, 100%, held by Hon Shin Corp. is sold to Hong Kong Best Expectation Company.	Two directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
		Capital increase for Shanghai Best Expectation Company and Hong Kong Best Expectation Company.	Two directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was

Board Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
			appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
The 17 th meeting of the 13 th board August 25, 2022	Sen-Mei Cheng Yi-Ming Lin	Jiangsu Paihong Company merge Wuxi Paihong Company.	Two directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
The 18 th meeting of the 13 th board October 6, 2022	Sen-Mei Cheng Yi-Ming Lin	Jiangsu Paihong Company acquire Unit 9-2001 on Lot A in Project XDG-2013-3 under Paiho International Mansion from Wuxi Paihong Company.	Two directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
The 19 th meeting of the 13 th board November 10, 2022	Sen-Mei Cheng Yi-Ming Lin	On capital reduction for Hon Shin Corp.	Two directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.

Board Meeting Dates and Session	Name of Directors	The Contents of Resolutions	Reasons for the Recusal and Participation in the Voting
The 20 th meeting of the 13 th board December 21, 2022	Yi-Lun Cheng	Approved the custodian of the Company's chop used for endorsement and guarantee.	One directors had interests on the item and were excused from the discussion and voting. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
	Sen-Mei Cheng Cheng-Wei Cheng Yi-Lun Cheng	Adjustment of director appointments to Vietnam Paiho Company.	Three directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
	Sen-Mei Cheng Cheng-Wei Cheng Yi-Ming Lin Yi-Lun Cheng	Remuneration structure and payment to managerial personnel and directors.	Four directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.
	Sen-Mei Cheng Cheng-Wei Cheng Yi-Ming Lin Yi-Lun Cheng	Distribution of 2022 estimated bonus of managerial officers.	Four directors had interests on the item and were excused from the discussion and voting. Director Jui-Lin Lo was appointed to take the place of the chairman for the item. The proposal was passed without demur after inquiries made by the chairman to other attending directors.

- (3) The evaluation of the Board of Directors (including evaluation cycle, scope of evaluation, evaluation method and evaluation content, etc.) and implementation of the evaluations of the Board of Directors.

The Board of Directors approved the “Regulations Governing the Evaluation of the Performance of the Board and Functional Committees.” on December 24, 2019 and approved the amendment on December 23, 2021, to materialize corporate government and improve the functions of the Board of Directors and functional committees, which stipulates that a regular performance evaluation will be made to Board of Directors, director members and the Functional Committee every year. That at least one performance evaluation shall be conducted by an external professional independent institution or external expert and scholar team every three years. The Company according to “Rules for Performance Evaluation of the Board of Directors and Functional Committees” at the end of 2022 to evaluate internal performance and entrust EY Business Advisory Services Inc. (Ernst & Young Company) to evaluate the external performance of Board of directors, and report the evaluation result to the Board of Director on March 15, 2023.

① The implementation of self-assessment by the Board of Directors

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Content	Evaluation Result
Once a year	January 1, 2022 to December 31, 2022	Board of Directors performance evaluation	Board Self-evaluation by Board members	① Participation in the operation of the Company. ② Improvement of the quality of the Board of Directors' decision making. ③ Composition and structure of the Board of Directors. ④ Election and continuing education of the director. ⑤ Internal control.	The Board of Directors of the Company perform its functions in accordance with applicable laws. The performance was rated as outstanding.
Once a year	January 1, 2022 to December 31, 2022	Individual directors member performance evaluation	Self-evaluation by individual directors member	① Alignment of the goals and missions of the Company. ② Awareness of the duties of a director. ③ Participation in the operation of the Company. ④ Management of internal relationship and communication. ⑤ The director's professionalism and continuing education. ⑥ Internal control.	The individual director member of the Company perform their functions in accordance with applicable laws. The performance was rated as outstanding.
Once a year	January 1, 2022 to December 31, 2022	Functional committee performance evaluation	Self-evaluation by Remuneration Committee members, Audit Committee members and Sustainable Development Committee members	① Participation in the operation of the Company. ② Awareness of the duties of the functional committee. ③ Improvement of quality of decisions made by the functional committee. ④ Makeup of the functional committee and election of its members. ⑤ Internal control.	The Remuneration Committee, Audit Committee and Sustainable Development Committee of the Company perform its functions in accordance with applicable laws.

②Performance evaluation of the board of directors by an external institute

The Company, 2022, entrusted Ernst & Young Company with the performance evaluation of the board of directors. The firm and execution professionals had no business relation with the Company and were independent thereto. Details for the evaluation are as follows:

A. Evaluation cycle: One evaluation every three years.

B. Evaluation period: January 1, 2022 to December 31, 2022.

C. Scope of evaluation: Board, individual director members and Functional committee.

D. Evaluation method:

(A) Review company basic information.

(B) A self-assessment survey of all directors (a total of eight members as of the issuing date of the report).

(C) Individual interview with each director, including an institutional representative, independent director and one regular directors, a total of three.

E. Evaluation content:

(A) Assess the board structure and procedures, composition, institutional investor and organization structure, role and responsibility, conduct and culture, director training and development, risk control, as well as reporting, disclosure and performance monitoring, a total of eight key elements.

(B) Self-assessment survey to the directors, including:

a. Participation in the Company's operation and duty understanding;

b. Upgrade quality of decision-making from the Board and the understanding of goals and responsibilities;

c. Composition and structure of the Board of Directors;

d. Election and continuing education of the director;

e. Internal control.

F. Evaluation result:

After the synthetic assessments, the structure, composition, procedure and information of the Company's Board presented an advanced performance (meaning the Board abides by the basic requirements from the regulation authorities and the related regulation with a set of routine and effective practical methods or practices that can improve certain performance proactively). The following refinement recommendations are proposed by Ernst & Young Company, taken by the Company as a reference to improve the functionalities of the Board in the future:

Item	Recommended Proposals from the Assessment	Measures will be Taken
1	Add new independent directors to comply with the requirements from newly promulgated regulations.	Will handle according to the new law.
2	Formulate written documents and guidelines for succession planning of board members and key management personnel.	Will formulate based on the current succession practices.
3	Establish a risk management committee to establish a risk management system and carry out the associated measures.	Will establish a risk management policy and keep operate and optimize risk controlling activities in each business unit.
4	The board members shall share or initiate a list of topics they hope to know more about during the year.	Will handle according to the suggestion.
5	Regular reporting shall be made regarding to implementation of measures for intellectual property rights.	Will handle according to the suggestion.

(4) Strengthening the objectives and performance of the Board of Directors in the current year and the recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of objectives implementation.

- ① The 8 directors (including 3 independent directors) of the Company have all completed the continuing education hours in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.” The continuing education hours and courses have been announced on the Market Observation Post System.
- ② The “Regulations for Performance Evaluation of the Board of Directors and Functional Committees” was formulated to establish performance objectives and enhance the efficiency of the Board of Directors. The Company according to "Rules for Performance Evaluation of the Board of Directors and Functional Committees" at the end of 2022 to evaluate internal performance and entrust Ernst & Young Company to evaluate the external performance of Board of directors, and report the evaluation result to the Board of Director on March 15, 2023.
- ③ The major resolutions of the Company will be published after the board meeting on the Market Observation Post System in accordance with the relevant provisions of the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities” for the real-time information of the investors.
- ④ As of December 31, 2022, the three Independent Directors were in office for less than three consecutive terms. For the proper pursuit of supervision, all the Independent Directors attained 100% attendance rate for the sessions of the Board in 2022.

3.4.2 The Operational State of the Audit Committee:

1. Scope of Duties of the Audit Committee

- (1) The adoption or amendments to internal control systems.
- (2) The assessment of the effectiveness of the internal control system.
- (3) The procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4) To audit matters in which a director is an interested party.
- (5) To audit matters of asset transactions or derivatives trading of a material nature.
- (6) To audit matters of loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) To audit the offering, issuance, or private placement of equity-type securities.
- (8) To audit matters of hiring or dismissal of a certified public accountant, or their compensation.
- (9) To audit matters of appointment or discharge of a financial, accounting, or internal audit officer.
- (10) To audit the annual and Q2 financial reports signed by Chairman, managerial officers and accounting managers upon being audited and certified by the CPA.
- (11) To audit other material matters as may be required by this Company or competent authorities.

2. Matters to be Reviewed by the Audit Committee Include Mainly the Following:

(1) Evaluating effective implementation of the internal control system

The Audit Committee evaluates the effectiveness of the policy and procedures of internal control and reviews the periodic reports of the Company's audit department, certified public accountants, and managerial departments. The Audit Committee believes that the Company's risk management and internal control systems are effective, and the Company has adopted necessary control mechanisms to monitor and correct any violations.

(2) Reviewing financial statements

The Board of Directors has prepared and submitted the Company's 2022 Business Report, Financial Statements and proposals for Distribution of 2022 Profits have been reviewed and determined to be correct and accurate by the Audit Committee members of TAIWAN PAIHO LIMITED.

(3) Appointment or remuneration and independence assessment of attesting CPA

To assure the independence of CPAs, the Audit Committee evaluates the independence, professionalism, and competency of CPAs, and evaluates whether they are related persons, have mutual business or financial interests with the Company. After approval, both Shu-Chin Chiang and Ting-Chien Su of Deloitte Touche Tohmatsu Limited meet the independence and suitability evaluation standards and are qualified to be certified public accountants for financial compliance audit of the Company.

3. 8 (A) Meetings of Audit Committee were Held in 2022. The Attendance Status is as Follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B/A】	Note
Independent Director	Jui-Lin Lo	8	0	100.0	Renewal of office on June 10, 2020.
Independent Director	Chung-Cheng Wang	8	0	100.0	
Independent Director	Chia-Yu Chen	8	0	100.0	

4. Other Matters to be Noted

(1) Where any of the following circumstances occurs with respect to the operation of the Audit Committee, dates of Audit Committee meetings sessions, contents of resolutions, resolutions dissenting or qualified opinions or major proposals from independent directors, resolutions adopted by the Audit Committee, and actions taken by the Company in response to the opinion of the Audit Committee shall be noted:

① Matters prescribed under Article 14-5 of the Securities and Exchange Act :

Board Meeting Dates and Sessions in 2022	Meeting Dates and Sessions of Audit Committee in 2022	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 13 th meeting of the 13 th board March 25, 2022	The 11 th meeting of the 2 nd Audit Committee March 25, 2022	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. 2022 CPAs' audit fees.		
		3. Assessment of the independence and competency of the CPA.		
		4. Approved the 2021 Statement of Internal Control System.		
		5. To sell 14.2857% shareholding of Leader Elastic Limited held by the Company.		

Board Meeting Dates and Sessions in 2022	Meeting Dates and Sessions of Audit Committee in 2022	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
		<p>6. On capital reduction of US\$ 4.5 million for Dongguan Powder Company.</p> <p>7. The 2021 Business Report and Financial Statements.</p> <p>8. Amendments to “Procedures for the Acquisition or Disposal of Assets.”</p> <p>9. Amendments to “Operational Procedures for Loaning of Company Funds.”</p> <p>10. Amend the construction budget used to build new plants by Vietnam Paihong Company.</p>		
The 14 th meeting of the 13 th board May 6, 2022	The 12 th meeting of the 2 nd Audit Committee May 6, 2022	<p>1. To make endorsement/guarantees for its affiliates.</p> <p>2. The Company’s consolidated financial statements for the first quarter of 2022.</p> <p>3. Amendments to “ Regulation Governing Making of Endorsements/Guarantees. ”</p> <p>4. The dissolution and liquidation of China Star Company.</p> <p>5. Selling of all shareholding in Dongguan Paiho Powder Coating to non-related parties.</p>	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.

Board Meeting Dates and Sessions in 2022	Meeting Dates and Sessions of Audit Committee in 2022	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
		6. Paiho Shih Company take part in a joint venture with several parties to establish a venture for an electrical bicycle assembly.		
The 15 th meeting of the 13 th board June 30, 2022	The 13 th meeting of the 2 nd Audit Committee June 30, 2022	1. For group restructuring purposes, the shareholding of Vietnam Paihong Company, 100%, held by Hon Shin Corp. is sold to Hong Kong Best Expectation Company.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Capital increase for Shanghai Best Expectation Company and Hong Kong Best Expectation Company.		
		3. On capital reduction of US\$ 10 million for Wuxi Paisen Company.		
The 16 th meeting of the 13 th board August 10, 2022	The 14 th meeting of the 2 nd Audit Committee August 10, 2022	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. The Company's consolidated financial statements for the second quarter of 2022.		
The 17 th meeting of the 13 th board August 25, 2022	The 15 th meeting of the 2 nd Audit Committee August 25, 2022	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Jiangsu Paihong Company merge Wuxi Paihong Company.		
The 18 th meeting of the 13 th board October 6, 2022	The 16 th meeting of the 2 nd Audit Committee October 6, 2022	1. Jiangsu Paihong Company acquire Unit 9-2001 on Lot A in Project XDG-2013-3 under Paiho International Mansion from Wuxi Paihong Company.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Wuxi Paihong Company selling property units with parking to the related parties.		

Board Meeting Dates and Sessions in 2022	Meeting Dates and Sessions of Audit Committee in 2022	Contents of Resolutions	Resolution of the Audit Committee	The Company's Response to the Opinions of the Audit Committee
The 19 th meeting of the 13 th board November 10, 2022	The 17 th meeting of the 2 nd Audit Committee November 10, 2022	1. To make endorsement/guarantees for its affiliates.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Amendments to partial articles in the Company's "Internal Control System" and the associated "Implementation Rules for Internal Audits."		
		3. The Company's consolidated financial statements for the third quarter of 2022.		
		4. On capital reduction for Hon Shin Corp.		
The 20 th meeting of the 13 th board December 21, 2022	The 18 th meeting of the 2 nd Audit Committee December 21, 2022	1. Approved the custodian of the Company's chop used for endorsement and guarantee.	Passed by all members of the Audit Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Capital increase of US\$ 2 million for Zhong Yuan Xing Ye Company.		
		3. Adjustment of director appointments to Vietnam Paiho Company.		

- ② Except for the matters in the preceding paragraph, matters not approved by the Audit Committee but approved by at least two thirds of all directors: None.
- (2) For any recusal of Independent Directors due to conflict of interests in certain proposals, names of Independent Directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted: None.
- (3) Descriptions of the communications between the independent directors, internal audit officer, and CPAs (including significant matters, methods, and results of communication on the Company's finance and operations, etc.):
- ① Communications between the independent directors and internal audit officer
- A. The monthly audit report completed in accordance with the audit plan shall be submitted to the independent directors for review by e-mail or in person before the end of the following month.
- B. Summarize and present the internal audit reports to the Audit Committee on a quarterly basis.

- C. Communicate and discuss with the independent directors the implementation of internal audits and internal controls of the Company by telephone, email, or in person occasionally.
- D. Report a special event, if any, to the independent directors immediately.
- E. There was no special event to be reported in 2022. The independent directors and the audit officer of the Company communicated well. The independent directors had no objections. The previous communications are summarized as follows:

Communication Meeting Date	Items of Communication	Results of Communication
March 25, 2022	1. The Internal Auditor's report for October to December 2021. 2. Matters related to the deficiencies of internal audit in 2021 and improvements. 3. 2021 Statement of Internal Control System.	Independent directors raised no objection.
May 6, 2022	1. The Internal Auditor's report for January to March 2022.	Independent directors raised no objection.
August 10, 2022	1. The Internal Auditor's report for April to June 2022.	Independent directors raised no objection.
November 10, 2022	1. The Internal Auditor's report for July to September 2022. 2. Amendments to partial articles in the Company's "Internal Control System" and the associated "Implementation Rules for Internal Audits."	Independent directors raised no objection.
December 21, 2022	1. The Company's 2023 internal control audit plan.	Independent directors raised no objection.

② Communications between the independent directors and the CPAs

- A. The CPAs attended the Audit Committee meeting on March 25, 2022, August 10, 2022 and March 15, 2023 to report the results of the financial statements review (audit) and the communications required by the relevant laws and regulations.
- B. Immediately report a special event, if any, to the independent directors.
- C. There was no special event to be reported in 2022. The independent directors of the Company and the CPAs communicated well. The independent directors had no objections. The previous communications are summarized as follows:

Communication Meeting Date	Items of Communication	Results of Communication
March 25, 2022	<ol style="list-style-type: none"> 1. The CPA explained the audit results of the 2021 Financial Statements and Consolidated Financial Statements and initiated a discussion on the audit findings. 2. Summarize important regulations update. 3 The CPA discussed and communicated with the members of the Audit Committee on the issues they consulted. 	Independent directors raised no objection.
August 10, 2022	<ol style="list-style-type: none"> 1. The CPA explained the results of the review of Consolidated Financial Statements for the second quarter of 2022 and initiated a discussion on the findings of the review 2. The CPA discussed and communicated with the members of the Audit Committee on the issues they consulted. 	Independent directors raised no objection.
March 15, 2023	<ol style="list-style-type: none"> 1. The CPA explained the audit results of the 2022 Financial Statements and Consolidated Financial Statements and initiated a discussion on the audit findings. 2. Summarize important regulations update. 3 The CPA discussed and communicated with the members of the Audit Committee on the issues they consulted. 	Independent directors raised no objection.

3.4.3 Corporate Governance Operation Status and Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated and disclosed the “Corporate Governance Best Practice Principles” and operated and implemented corporate governance related standards in accordance with the spirit of corporate governance. In the future, the Company will strengthen information transparency and the operational functions of the Board of Directors to promote the operation of corporate governance.	No major difference.
2. Equity structure and shareholders' equity				
(1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, concerns, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has formulated the “Procedures of Internal Material Information” and has designated staff and a spokesperson to handle shareholders' suggestions, doubts, disputes, and litigation matters; also, to coordinate the relevant units of the Company for implementation.	No major difference.
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The actual information can be provided through the stock agency. The Company regularly discloses the list of major shareholders and the ultimate controllers of the major shareholders.	No major difference
(3) Does the Company establish and execute the risk management and firewall system within its between the Company and its affiliates?	✓		(3) The management rights and responsibilities between the Company and its associates are clearly defined; also, the business transactions are subject to the relevant provisions of the Company's internal control system.	No major difference

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has stipulated “Procedures for Handling Material Inside Information,” “Code of Ethical Conduct” and “Best-Practice Principles for Ethical Management” applicable to all directors, managers and appointees. Strictly adhere to and comply with “Procedures for Handling Material Inside Information,” which stipulates all personnel shall shun matters causing conflict of interest with their jobs or positions. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent the other party from using such information to engage in insider trading. The Company regularly sends letters to directors and insiders every month to advocacy with respect to insider trading regulations, and advocacy the provisions in respect with the equity trading restrictions before the announcement of quarterly financial report. Integrity management related education and training courses was held on August 10, 2022, with a total of 102 hours and 34 people participate include directors and operation managers. On the same day, at the board of directors held a publicity meeting for a half hour with directors and senior managers, total of 12 people content included laws & regulations on trade secret prevention, insider trading and	No major difference

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary Description	
			equity declaration. After the meeting, the seniors managers will conduct relevant publicity to the employees at the departmental meeting or morning conference, and post the publicity information on the notice board to inform employees.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board established a diversity policy, specific management goals and implemented it accordingly?</p>	✓		<p>(1) The Company has established a diversity policy for the composition of the board directors in the “Corporate Governance Best Practice Principles.” There are 8 directors elected in response to the Company’s business development scale and practical operating needs. The percentage of female Directors is 25%. Among the said directors, about 50% of them are employees of the Company, 38% of them are independent directors, and the independent directors have all served for more than 5 years. Among the directors of the Company, 4 directors are over 60 years old and the remaining 4 directors are under 60 years old. Please refer to page 18-19 for the diversity policy implemented for the composition of the board directors.</p>	No major difference
<p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p>	✓		<p>(2) The Company has established Sustainable Development Committee in 2021. To promote sustainable organizational development, ethical management, and the</p>	No major difference

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary Description	
(3) Does the Company establish a standard to measure the performance of the Board, implement it annually, and submit the results of performance assessments to the Board of Directors, and use as a reference for determining remuneration for individual directors and their nominations?	✓		implementation of CSR. The committee members will meet regularly every year. Three meeting was convened in 2022, followed by proposals put forward to the Board meeting. (3) The Company has instituted the “Regulations for Performance Evaluation of the Board of Directors and Functional Committees” and there will be a regular evaluation every year, and one evaluation every three years by an external institution or a professional. A performance evaluation was carried out at the end of 2022, using the form of self-assessed survey, among the Board, individual directors, and functional committee. Entrusted Ernst & Young Company with the performance evaluation of the board of directors by external party. The internal and external result of the evaluation will be reported to the Board on March 15, 2023. For additional information, refer to page 37-40. The evaluation result will be used as reference for setting the remuneration to individual Directors and for the nomination or appointment to the seats of Directors in the future.	No major difference
(4) Does the Company regularly evaluate the independence of CPAs?	✓		(4) The Audit Committee of the Company evaluates the independence and suitability of the CPAs, other than requiring audit quality indicators and an “Auditor’s	No major difference

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>Independence Declaration” from the auditors; the evaluation is conducted in accordance with the standards listed in Note 1 (please refer to page 58) and 13 Audit Quality Indicators (AQI).</p> <p>It is confirmed that the CPAs have no financial interest or business relationship with the Company other than financial report certification and taxation cases. Also, no family members of the CPAs have violated their independence. The committee also concluded that the audit experience and training hours of the CPAs and the firm are no less than the industry average, and continuously provide innovative audit tools to improve audit qualities. The latest assessment was reviewed by the Audit Committee on March 15, 2023, before forwarding to the Board meeting on the same day to approve the evaluation of accountant’s independence and competence.</p> <p>In addition, the attestation accountants have had themselves recused when there is a conflict of interest against the entrustment; also, the attestation accountant’s rotation is in compliance with relevant regulations.</p>	

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
4. Is the Company equipped with an adequate number of governance personnel with appropriate qualifications and appointed with a corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, assist for the legal compliance of directors, and engage in affairs relating to Board Meetings and Shareholders' Meetings and creation of the minutes of such meetings, etc.)?	✓		<p>The Company has establish a dedicated unit and appointment a chief corporate governance officer to be responsible for corporate governance affairs.</p> <p>The Corporate Governance Officer of the Company is charged with the duties of handling all matters pertinent to the convention of the Board and General Meeting of Shareholders, preparation of the minutes of meetings of the Board and the Shareholders on record, assistance to the Director in assuming office and continuing education, supply of information required by the Directors in performing their functions, assistance to the Directors in law compliance for the protection of the rights and privileges of the shareholders, fortification of the function of the Board, respecting the rights and privileges of the stakeholders, enhancement of information transparency, and vitalization of the system of corporate governance.</p> <p>The corporate governance officer had completed a total of 12 hours perfessional training in 2022. (page 95-97)</p>	No major difference.
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		<p>The Company has established a communication channel with the stakeholders, including setting up the "Stakeholders" section on the Company's website; also, they can contact the Company at any time by telephone or E-mail. A smooth communication channel is in place. The Company will also take adequate measures depending on the situation.</p>	No major difference.

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary Description	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appoints the Stock Agency of China Trust Commercial Bank to handle matters related to the shareholders meeting.	No major difference.
7. Information Disclosure				
(1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up the "Investor" section on the Company's website to fully disclose relevant financial information, including corporate governance, revenue information, financial statements, investor conferences, etc., and links to the "Market Observation Post System" for the reference of the shareholders and the public.	No major difference
(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has the relevant information disclosed by the designated personnel and has such information announced on the "Market Observation Post System" regularly. The Company has a spokesperson designated and occasionally participates in or holds an investor conference with the relevant information disclosed on the Company's website.	No major difference
(3) Does the company publish and declare its financial statements within two months after the end of a fiscal year, and publish and declare in advance the financial statements of Q1, Q2, and Q3 as well as status of monthly operations?		✓	(3) The Company did not announce and register the annual financial report within two months after the end of the fiscal year, and did not announce and register the financial reports for the first, second, and third quarters before the deadline. However, the Company did announce the unaudited consolidated profit and losses of the previous month before the 15 th day of each month.	No major difference In the event there are regulatory requirements or actual operational needs, the Company further handles matters according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and relevant laws.

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		<p>(1) Employee rights: The Company has always treated its employees with integrity and safeguarded the legitimate rights and interests of employees in accordance with the Labor Standards Act and other relevant laws and regulations.</p> <p>(2) Employee wellness: The Company has established a good relationship of mutual trust and dependence with its employees through a welfare system that enriches and harmonizes the lives of employees, including a good education and training system. Such as:</p> <p>① Arrange employee labor insurance, health insurance, group accident insurance, and life insurance.</p> <p>② The Company appropriates employee benefits funds in accordance with the law, organizes employee welfare committees, and regularly arranges employee travel activities, health checks, and other employee welfare measures every year.</p> <p>③ Appropriate employee pensions according to law.</p> <p>④ Regularly arranges labor safety and health workshops to prevent occupational disasters and to ensure the safety and health of employees.</p> <p>(3) Investor relation: A spokesperson, an acting spokesperson, and a stock affairs clerk are to handle</p>	No major difference

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>shareholders' recommendations.</p> <p>(4) Supplier relations: Based on the ethical corporate management principle, the Company has demanded the quality, quantity, and delivery time of the products provided by the suppliers; also, it makes payments to the suppliers according to the contracts. The Company may also provide necessary technical assistance to the subcontractors when technical obstacles occur.</p> <p>(5) Rights of stakeholders: The Company's website (http://www.paiho.com) is set up with a "Stakeholders" section to provide a smooth communication channel so stakeholders can make suggestions or recommendations at any time.</p> <p>(6) Directors' training records: The Company actively encourages the Board Directors to pursue advanced studies in order to enhance their professionalism and to promote the spirit of corporate governance. Please refer to page 95-97 for the advanced studies of the Board Directors.</p> <p>(7) The implementation of risk management policies and risk evaluation measures: Various internal regulations are formulated in accordance with the law to conduct various risk management and evaluation.</p> <p>(8) The implementation of customer relations policies:</p>	

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>The Company maintains a stable and good relationship with its customers to create corporate profits.</p> <p>(9) The liability insurance acquired for the directors by the Company: The Company acquired a one-year insurance policy for a coverage amount of US\$ 10 million for the directors on August 11, 2022, which was reported to the Board of Directors on August 25, 2022.</p>	
<p>9. Please provide explanation on the improvement status of the corporate governance evaluation announced by the Taiwan Stock Exchange (TWSE) in the recent year, and provide priority enhancement for matters yet to be improved matters and measures:</p> <p>(1) Starting from Q1 2022, to enhance the Audit Committee's supervision function, all quarterly (annual) financial statements have been reviewed and approved by the Audit Committee and later sent for the Board's approval.</p> <p>(2) Three meetings were convened by the sustainable development committee in 2022 and forwarded to the Board meeting for report.</p> <p>(3) The Company has compiled the 2021 sustainability reports in both Chinese and English.</p> <p>(4) The Company has completed ISO 14064 greenhouse gas inventory and the certification for 2021 and scheduled the certification timetable for the subsidiaries.</p> <p>(5) The Company has established "Management Practice for Intellectual Property" and scheduled to report the execution to the sustainable development committee and the Board meetings in 2023.</p> <p>(6) For the 10th Term of Corporate Governance Evaluation (evaluation year 2023), matters yet to be improved will be planned and execution consecutively according to the needs of laws or actual operation.</p>				

Note 1 : Evaluation of the External Auditor's Independence

Assessment Item	Assessment Result	Whether it is Equipped with Independence
1. Are the CPAs as well as their spouses and dependents directly or indirectly related to material financial benefits of the Company?	None	Yes
2. Are the CPAs as well as their spouses and dependents in a business relationship with the Company or directors, or managerial officers such that the independence thereof can be affected?	None	Yes
3. Do the CPAs as well as their spouses and dependents assume the positions of directors, or managerial officers or job positions in direct relation with and having major impacts on the auditing work?	None	Yes
4. Are the CPA a spouse or in a direct relative, direct relationship by marriage, or second-degree relative, etc. with the directors, or managerial officers of the Company?	None	Yes
5. Do the CPAs receive gifts or presents of significant value from the Company or directors, managerial officers, or major shareholders?	None	Yes

3.4.4 The Composition, Duties and Operational Status of the Remuneration Committee

1. Independent Information of the Remuneration Committee's Member

Qualification	Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies Concurrently Serving as an Remuneration Committee's Member
Independent Director	Jui-Lin Lo	<p>(1) Possess professional background and experience in accounting, finance, law, corporate governance and the Company's business.</p> <p>(2) Currently serving as CPA, Hsu Cheng Certified Public Accountant, Independent Director and Member of Remuneration Committee, Giant Manufacturing Co., Ltd., and Independent Director and Member of Remuneration Committee, WFE Technology Corp.,</p> <p>(3) Once worked as CPA, Deloitte & Touche.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>(1) Independent status of the independent directors of the Company.</p> <p>(2) The director, nor his/her spouse or relative within the second degree of kinship, is not a director, supervisor or employee of the Company or any of its affiliates, not a shareholder of the Company nor a director, supervisor or employee in a specific entity to the Company.</p> <p>(3) No compensation has been received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate in the past 2 years.</p>	2

Qualification	Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies Concurrently Serving as an Remuneration Committee's Member
Independent Director	Chia-Yu Chen	<p>(1) Possess professional background and experience in accounting, finance, sustainability management and the Company's business.</p> <p>(2) Currently serving as Manager of Finance Department, Elite Semiconductor Memory Technology Inc.</p> <p>(3) Once worked as audit team In-charge, PwC Taiwan, and Director of audit, Taiwan Paiho Limited.</p> <p>(4) Certified Professional in Corporate Sustainability Management.</p> <p>(5) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>(1) Independent status of the independent directors of the Company.</p> <p>(2) The director, nor his/her spouse or relative within the second degree of kinship, is not a director, supervisor or employee of the Company or any of its affiliates, not a shareholder of the Company nor a director, supervisor or employee in a specific entity to the Company.</p> <p>(3) No compensation has been received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate in the past 2 years.</p>	0
Independent Director	Chung-Cheng Wang	<p>(1) Possess professional background and experience in operation management, marketing, risk management and the Company's business.</p> <p>(2) Currently serving as Chairman of Huahsiang Construction Co., Ltd., Director of Pinda Investment Co., Ltd., Director of Sweeten Education Foundation, Taichung Real Estate</p>	<p>(1) Independent status of the independent directors of the Company.</p> <p>(2) The director, nor his/her spouse or relative within the second degree of kinship, is not a director, supervisor or employee of the Company or any of its affiliates, not a shareholder of the Company nor a director, supervisor or employee in a specific entity to the</p>	0

Qualification	Name	Professional Qualifications and Experience	Independent Status	Number of Other Public Companies Concurrently Serving as a Remuneration Committee's Member
		<p>Development Association - Member of the Policy Discussion and Promotion Committee, and consultant of Taichung Lifeline.</p> <p>(3) Once worked as Vice Chairman and General Manager of Sweeten Real Estate Development Co., Ltd., Director of Construction Company, Senior Manager of Tah Hsin Industrial Co., Ltd., Supervisor of Tah Hsin Corporation, Japan, the 10th Chairman of Taichung Real Estate Development Association, the 12th President of Taichung Builders, Club, the 15th President of the Listed Elite Association in Central China, the 10th President of the Rotary Corporation Club of Taichung North-West, and the Founding Executive Director and 5th Chairman of the Taiwan Action Buddha Society.</p> <p>(4) Not been a person of any conditions defined in Article 30 of the Company Law.</p>	<p>Company.</p> <p>(3) No compensation has been received by providing commercial, legal, financial, accounting or related services to the Company or any affiliate in the past 2 years.</p>	

2. Duties : The committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for Discussion:

- (1) Establish and periodically assess and review the performance of directors and managerial officers as well as the policy, system, standard, and structure for the remuneration.
- (2) Regularly reviewing the compensation of directors and managerial officers.

3. The Operations Status of the Remuneration Committee

- (1) The Company's Remuneration Committee member counts 3 people.
- (2) The term of office is from June 18, 2020 to June 9, 2023. 2 (A) meetings of the Remuneration Committee were held in 2022. The attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B / A】	Note
Convener	Jui-Lin Lo	1	1	50	Renewal of office on June 18, 2020.
Member	Chung-Cheng Wang	2	0	100	
Member	Chia-Yu Chen	2	0	100	

- (3) In the recent year dates of Board meeting, sessions, contents of resolutions, resolutions adopted by the Compensation Committee, and actions taken by the Company in response to the opinion of the Compensation Committee shall be noted:

Board Meeting Dates and Sessions	Meeting Dates and Sessions of Remuneration Committee	Contents of Resolutions	Resolution of Remuneration Committee	The Company's Response to the Opinions of the Remuneration Committee
The 13 th meeting of the 13 th Board March 25, 2022	The 5 th meeting of the 4 th Remuneration Committee March 25, 2022	1. Distribution of 2021 employee's compensation and remuneration for Directors.	Passed by all members of the Remuneration Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. The proposal to change salary package for managerial officers.		
The 20 th meeting of the 13 th Board December 21, 2022	The 6 th meeting of the 4 th Remuneration Committee December 21, 2022	1. Remuneration structure and payment to managerial personnel and directors.	Passed by all members of the Remuneration Committee unanimously.	None. Submitted to the Board of Directors for approval.

Board Meeting Dates and Sessions	Meeting Dates and Sessions of Remuneration Committee	Contents of Resolutions	Resolution of Remuneration Committee	The Company's Response to the Opinions of the Remuneration Committee
		2. Distribution of 2022 estimated bonus of managerial officers.		
The 21 th meeting of the 13 th Board March 15, 2023	The 7 th meeting of the 4 th Remuneration Committee March 15, 2023	1. Distribution of 2022 employee's compensation and remuneration for Directors.	Passed by all members of the Remuneration Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Amendments to "Payment of Directors' Remuneration."		
		3. Amendments to "Salary Standard for Managerial Officers."		

(4) Other matters to be noted:

- ① If the Board of Directors rejects or amends the suggestions submitted by the Remuneration Committee, there shall be elaborated with the meeting dates, sessions, contents of resolutions, resolution adopted by the Board of Directors and actions taken by the Company in response to the Remuneration Committee's opinions (if the Board of Directors approved a remuneration plan better than that suggested by the Remuneration Committee, the reasons and the difference shall be elaborated): None.
- ② If any member has expressed opposition or reservation with respect to the resolution of the Remuneration Committee and there was a written record or written statement, there shall be elaborated with the meeting dates, sessions, contents of resolutions, the opinions of all members of the Remuneration Committee and actions taken in response to the member's opinions: None.

4. The Company doesn't Establish a Nomination Committee.

5. The Composition, Duties and Operational Status of the Sustainable Development Committee.

(1) Independent information of the Sustainable Development Committee's member

Title	Name	Professional Qualifications and Experience
Convener (General Manager)	Cheng-Wei Cheng	<ul style="list-style-type: none"> • Possess professional background and experience in operation management, industry sectors, marketing, and the Company's business. • Department of Statistics, Macquarie University. • Corporate director of the Company and General Manager. • Director of Paiho North America Company. • Director of Braits Company.
Member (Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House)	Tung-Yu Huang	<ul style="list-style-type: none"> • Possess professional background and experience in business judgement, industry sectors, crisis management and the Company's business. • Department of Mechanical Engineering, Lien Ho College of Technology & Commerce. • Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House, Taiwan Paiho Limited.
Member (Independent Director)	Jui-Lin Lo	<ul style="list-style-type: none"> • Possess professional background and experience in accounting, finance, law, corporate governance and the Company's business. • Bachelor of Accounting, Chung Yuan Christian University and Certified Public Accountant (CPA) License. • CPA, Deloitte & Touche. • CPA, Hsu Cheng Certified Public Accountant. • Independent director and member of Remuneration Committee, Giant Manufacturing Co., Ltd. • Independent director and member of Remuneration Committee, WFE Technology Corp.
Member (Independent Director)	Chia-Yu Chen	<ul style="list-style-type: none"> • Has professional experience in the following fields including accounting, finance and the Company's business. • Bachelor of Accounting, Providence University.

Title	Name	Professional Qualifications and Experience
		<ul style="list-style-type: none"> • Master of Finance Institute, National Chiao Tung University. • Audit Team In-charge, PwC Taiwan. • Director of Audit, Taiwan Paiho Limited. • Certified Professional in Corporate Sustainability Management. • Manager of Finance Department, Elite Semiconductor Memory Technology Inc.
Member (Independent Director)	Chung-Cheng Wang	<ul style="list-style-type: none"> • Possess professional background and experience in operation management, marketing, risk management and the Company's business. • Department of administration, National Taichung College of Business. • Vice Chairman and General Manager of Sweeten Real Estate Development Co., Ltd. • Director of Construction Company. • Senior Manager of Tah Hsin Industrial Co., Ltd. • Supervisor of Tah Hsin Corporation, Japan. • The 10th Chairman of Taichung Real Estate Development Association. • The 12th President of Taichung Builders, Club. • The 15th President of the Listed Elite Association in Central China. • The 10th President of the Rotary Corporation Club of Taichung North-West. • The Founding Executive Director and 5th Chairman of the Taiwan Action Buddha Society. • Chairman of Huahsiang Construction Co., Ltd. • Director of Pinda Investment Co., Ltd. • Director of Sweeten Education Foundation. • Taichung Real Estate Development Association - Member of the Policy Discussion and Promotion Committee. • Consultant of Taichung Lifeline.

(2) Duties of the Sustainable Development Committee.

- ① Stipulation of sustainable development policy.
- ② Setting the goals, strategies and implementation guidelines for corporate sustainable developments, including sustainable governance, and ethical management for the environment and society.
- ③ Implementation status, result reviews, tracking and policy amendment, and regular board reporting.
- ④ Attention and communication management on issues concerned by stakeholders, such as shareholders, customers, vendors, employees, government, NGOs, society and the media.
- ⑤ Corporate sustainable operation matters required by the regulations or delegated by the Board of Directors.

(3) The operations status of the Sustainable Development Committee.

- ① The Company's Sustainable Development Committee member counts 5 people.
- ② The term of office is from August 10, 2021 to June 9, 2023. 3 (A) meetings of the Sustainable Development Committee were held in 2022. The attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【B / A】	Note
Convener	Cheng-Wei Cheng	3	0	100	Assume office on August 10, 2021
Member	Tung-Yu Huang	3	0	100	
Member	Chung-Cheng Wang	3	0	100	
Member	Chia-Yu Chen	3	0	100	
Member	Jui-Lin Lo	3	0	100	

③In the recent year meeting dates, sessions, contents of resolutions, resolution adopted by the Sustainable Development Committee and actions taken by the Company in response to the opinion of the Sustainable Development Committee shall be noted:

Board Meeting Dates and Sessions	Meeting Dates and Sessions of Sustainable Development Committee	Contents of Resolutions	Resolution of Sustainable Development Committee	The Company's Response to the Opinions of the Sustainable Development Committee
The 13 th meeting of the 13 th Board March 25, 2022	The 2 nd meeting of the 1 st Sustainable Development Committee March 25, 2022	1. Amendments to “Ethical Corporate Management Best Practice Principles.”	Passed by all members of the Sustainable Development Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Amendments to “Corporate Sustainable Development Best Practice Principles.”		
		3. Establish the Company's schedules of greenhouse gas inventory and certifications.		None. Acknowledged by all attending directors.
The 16 th meeting of the 13 th Board August 10, 2022	The 3 rd meeting of the 1 st Sustainable Development Committee August 10 2022	1. To report the 2021 Sustainability Report has been compiled and its main contents.	Acknowledged by all attending members.	None. Acknowledged by all attending directors.
The 19 th meeting of the 13 th Board November 10, 2022.	The 4 th meeting of the 1 st Sustainable Development Committee November 10, 2022	1. Report on the ethical management implementation status in the year 2022.	Acknowledged by all attending members.	None. Acknowledged by all attending directors.
		2. Report on the work plan implementation status in the year 2022.		

Board Meeting Dates and Sessions	Meeting Dates and Sessions of Sustainable Development Committee	Contents of Resolutions	Resolution of Sustainable Development Committee	The Company's Response to the Opinions of the Sustainable Development Committee
The 19 th meeting of the 13 th Board November 10, 2022.	The 4 th meeting of the 1 st Sustainable Development Committee November 10, 2022	1. Amendments to “corporate sustainability committee organizational procedures.”	Passed by all members of the Sustainable Development Committee unanimously.	None. Submitted to the Board of Directors for approval.
		2. Amendments to “Management Practice for Intellectual Property.”		
		3. Formulate 2023 working plan for sustainable development committee.	Passed by all members of the Sustainable Development Committee unanimously.	None. Acknowledged by all attending directors.
		4. Establish a schedule and organizational structure for the introduction of “Task Force on Climate-related Financial Disclosures, TCFD.”		
		5. Establish the schedules of greenhouse gas inventory and certifications for the consolidated subsidiaries.		

3.4.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Does the Company established a governance structure to promote sustainable development, and established a dedicated (or non-dedicated) unit to promote sustainable development, and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?	✓		The Company established the “Sustainable Development Committee” that will be dedicated to supervising and managing issues concerning environment, economy, society and sustainable development and climate change. The committee consists of directors and top executives. An execution office and each functional task forces, were set up to implement the associated work. To monitor the operation of each task force, the Committee meets once every year, at least. During the three meetings convened in 2022, the main content of the 2021 Sustainability Report was announced and the timetable and plans were set for the greenhouse gas inventory and certification for the Company and the consolidated subsidiaries, TCFD matters, including execution status, amendments to the related measures and policies, as well as 2023 operation plans, were discussed. The associated reporting was later submitted by the Committee to the Board of Directors.	No major difference.
2. Does the Company assess the risk of environmental, social, and governance (ESG) issues in relation to company operations based on the materiality principles, and establish policies or strategies in relation to risk management?	✓		The disclosure was made by Taiwan Paiho Group. The boundary of the risk assessment is based on the Company’s operation. Through questionnaires and interviews during the compiling of the corporate sustainability reports, the Committee and associated tasked forces communicated with both internal and external stakeholders on major issues. With the reference to the surveys from each operation unit and top managers, the issues were categorized into environment, social	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons									
	Yes	No	Summary Description										
			<p>and corporate governance segments from which operational risks could arise to form a risk management strategy based on matters of importance as follows:</p> <table><tr><th>Major Issue</th><th>Risk Item Assessed</th><th>Risk Management Strategy</th></tr><tr><td>Environment</td><td>Energy and Climate Change</td><td>(1)Continue to promote ISO14001, ISO14064-1, ISO50001. (2)Comply with environmental protection and energy policies and establish goals of emissions reduction. (3) “ TCFD risk assessment and counteractive actions” for execution. (4)Study all possible technologies to enable further reduction in carbon emissions. (5)Continue the development of green products that are climate-resilient , reusable, have longer product life cycles and are produced with lessened emissions.</td></tr><tr><td>Environment</td><td>Prohibition Against and Management of Hazardous Substance</td><td>Implement and manage lists covering ZDHC (Zero Discharge Hazardous Chemical), RSL, and MRSL (Manufacturing</td></tr></table>	Major Issue	Risk Item Assessed	Risk Management Strategy	Environment	Energy and Climate Change	(1)Continue to promote ISO14001, ISO14064-1, ISO50001. (2)Comply with environmental protection and energy policies and establish goals of emissions reduction. (3) “ TCFD risk assessment and counteractive actions” for execution. (4)Study all possible technologies to enable further reduction in carbon emissions. (5)Continue the development of green products that are climate-resilient , reusable, have longer product life cycles and are produced with lessened emissions.	Environment	Prohibition Against and Management of Hazardous Substance	Implement and manage lists covering ZDHC (Zero Discharge Hazardous Chemical), RSL, and MRSL (Manufacturing	
Major Issue	Risk Item Assessed	Risk Management Strategy											
Environment	Energy and Climate Change	(1)Continue to promote ISO14001, ISO14064-1, ISO50001. (2)Comply with environmental protection and energy policies and establish goals of emissions reduction. (3) “ TCFD risk assessment and counteractive actions” for execution. (4)Study all possible technologies to enable further reduction in carbon emissions. (5)Continue the development of green products that are climate-resilient , reusable, have longer product life cycles and are produced with lessened emissions.											
Environment	Prohibition Against and Management of Hazardous Substance	Implement and manage lists covering ZDHC (Zero Discharge Hazardous Chemical), RSL, and MRSL (Manufacturing											

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
				Restricted Substances List) for production and material control to match up with international brand customers.
			Environment	Waste Management All waste types shall be reduced from the source first and pushed for recycling and repurposing, for minimizing waste generation and maximizing reusable resources.
			Society	Human Rights Guarantee A “Human Rights Policy,” which adheres to human rights regulations and labor laws, has been signed to ensure equal employment, anti-discrimination and harassment working environment, as well as privacy protection through various employee complaint channels and mechanisms.
			Society	Labor Relation To ensure smooth communication between labor and the Company, labor meetings are held regularly for thorough mutual dialogue, in addition to employee suggestion boxes. All complaints and suggestions received shall be responded to or made public in the

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
				bulletin board within two months to achieve two-way communication for harmonized mutual relation between employees and the Company.
			Society	Equal - Treatment and Diverse Working Environment The Company is committed to building a secure working environment for each employee that accommodates work and human rights on an equal, fair, inclusive and respectful platform. In addition, to construct a talent pool, training programs are provided on creating a workplace that is diverse, the right fit for different talent and appealing to different groups.
			Corporate Governance	Operation Strategy The Company aims for sustainable operation with the following strategies: continue developments in innovative new products, carry out electronic catalogues and 3D proofing/sampling systems, maintain close customer relationships, and upgrade various

Promotion Item	Implementation Status					Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description			
					production facilities and back-end processing technologies in overseas and domestic plants that allow flexible but short delivery schedule and pandemic-ready production, with a highlight on waste reduction and scrap regeneration to bring up sustainable value.	
			Corporate Governance	Business Ethics	Guidelines including “Best-Practice Principles for Ethical Management,” “Code of Ethical Conduct” and “Measures to Handle Reporting of Wrongoings, Immoral and Unethical Conduct” have been stipulated to implement the concept of ethical operation.	
			Corporate Governance	Corporate Governance	(1)The Board is composed of three independent directors or more and the total seat number shall reach of one-third or more. (2)Create functional committee: ① Audit Committee and ②	

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
			<div>Remuneration Committee formed by all independent directors; ③</div> <div>Corporate Sustainable Committee formed by all independent directors and top executives.</div> <div>(3)The “Best-Practice Principles for Corporate Governance” and related regulations and measures have been stipulated to establish a sound and complete governance system.</div> <div>Corporate Governance Law Compliance Conform with laws and regulations applicable and advocate such concepts through training and education programs.</div>	
3. Environmental Topic (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) The following certifications were obtained by the Company: ① The certification of ISO14001 environmental management system (validity period: November 18, 2022 to November 18, 2025.) ② Certification for greenhouse gas inventory under ISO14064-1 completed (for the period of January 1, 2021 to December 31, 2021.) ③ Certification for energy management system under	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		<p>ISO50001 (validity period: May 19, 2022 to May 19, 2025).</p> <p>(2) The Company sponsored green energy ventures and is dedicated to waste reduction to cut down environmental impacts. In the meantime, various efforts have been put in to develop green materials, resource recycle, and quality control for better yield, return rate and repeated waste. Other related implementations:</p> <ul style="list-style-type: none"> ① The Company has installed solar power system to increase usage of green energy. ② To implement waste control, facilities for wastewater reclamation and gas treatment were installed. ③ Smart meters that supervise water and electricity usage were installed. ④ Recycled textile waste is used to make solid recovered fuel to cut carbon emission. ⑤ Leftover solid chemical pieces and wooden pallets are recycled to cut waste. 	No major difference.
(3) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take action on related issues?	✓		<p>(3) The Company has adopted counteractive actions for dealing with climate related issues derived from the Company’s operation. The establishment of the “TCFD risk assessment and counteractive actions” for execution, with the following measures:</p> <ul style="list-style-type: none"> ① Advocate circular economy: To meet the trend of low-carbon transformation, developed environmental yarns, reusable and 	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>recyclable materials, and repurposed recycled yarns. we strive to increase the proportion of textile residues and sludge reuse.</p> <p>② Digital transformation and marketing: Establish environmental material catalogue and promote “virtual sample and online display platform” to cut down physical samples and provide customers with a more diversified and sustainable way to make selection.</p> <p>③ Cooperation with supply chain: Ask suppliers for timetable of greenhouse gas inventory to work on carbon reduction together.</p> <p>④ Continuation with ISO 50001 energy management system, to strengthen integrating and conserving energy.</p> <p>⑤ Introduce renewable energy: Increase solar power generation facilities in each production site to increase the percentage of renewable energy usage.</p> <p>The installation of photovoltaic power facilities in the production sites in Taiwan, Dongguan, Wuxi, and Vietnam began in 2021. The work was completed gradually during 2022 in each plant, and the facilities are in use. The power generation during 2022 was 0.509 million kWh in the Taiwan plant, the self consumption of electricity</p>	

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(4) Did the Company produce statistics on the greenhouse gas emissions, water consumption, and total waste in the last two years? Has the Company established policies for energy conservation, carbon reduction, greenhouse gas reduction, water conservation, and waste management?	✓		<p>generated during 2022 was 3.087 million kWh in the Dongguan plant, 1.496 million kWh in the Wuxi plant, and 4.099 million kWh in the Vietnam plant. It is estimated 1,597 TonCO₂e can be reduced each year on average.</p> <p>(4) The Company has signed the “Greenhouse Gas Reduction Policy” to conduct greenhouse gas inventory with a reduction goal set: starting from the base year in 2020, the Company is aiming to reach 3% reduction by 2025, and 8% reduction by 2030. In addition, to control energy usage, a target of cutting one percent electricity usage is set, along with measures for additional waste reduction and reuse. Please refer to the 2022 Sustainability Report for details on carbon emission, water usage and waste volume produced.</p>	No major difference.
<p>4. Social Topic</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1) Referring to the spirit of the International Bill of Human Rights of the “Universal Declaration of Human Rights”, the “Human Rights Policy” was signed with the stipulation of various management policies and procedures, including “Working Rules,” “Measures of Employee Whistleblowing,” “Workplace Health and Safety Rules,” “Prevention and Management of Unlawful Infringement at Work,” and “Written Policy for No-Discrimination” to ensure employee rights. To implement employee human rights, training sessions of the related human</p>	No major difference

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons						
	Yes	No	Summary Description							
			<div>rights and labor regulations were provided for new hires when onboarding. Human Rights Policy and actual program in practices are as follows:</div> <table><tr><td>Abide by All National Labor Regulations</td><td>Respect and abide by international human rights regulations to ensure no involvement or violation in human rights incidents, with the stipulation of “Human Rights Policy” for announcement and implementation after General Manager’s approval.</td></tr><tr><td>Prohibition of Forced Labor</td><td>All new hires need to go through interviews to ensure full understanding of job scope. Provide “labor contract” on the day of employment. No incident of forced labor took place in 2022.</td></tr><tr><td>Prohibition of Child Labor</td><td>On the day of interview and employment date, identifications of job applicants and new employees shall be checked</td></tr></table>	Abide by All National Labor Regulations	Respect and abide by international human rights regulations to ensure no involvement or violation in human rights incidents, with the stipulation of “Human Rights Policy” for announcement and implementation after General Manager’s approval.	Prohibition of Forced Labor	All new hires need to go through interviews to ensure full understanding of job scope. Provide “labor contract” on the day of employment. No incident of forced labor took place in 2022.	Prohibition of Child Labor	On the day of interview and employment date, identifications of job applicants and new employees shall be checked	
Abide by All National Labor Regulations	Respect and abide by international human rights regulations to ensure no involvement or violation in human rights incidents, with the stipulation of “Human Rights Policy” for announcement and implementation after General Manager’s approval.									
Prohibition of Forced Labor	All new hires need to go through interviews to ensure full understanding of job scope. Provide “labor contract” on the day of employment. No incident of forced labor took place in 2022.									
Prohibition of Child Labor	On the day of interview and employment date, identifications of job applicants and new employees shall be checked									

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
				to ensure only applicants who meet the minimum age limit of local regulation will be hired. No incident of child labor took place in 2022.
			Working Time	① There is at least one day off for every seven working days, unless special business situation. ② Launch overtime work application system. Managers send out overtime requests and control monthly overtime hours.
			Salary Benefit	Ensure employee are paid no less than the local minimum wage and provide benefits.
			Humane Treatment	Stipulate “Prevention and Management of Unlawful Infringement at Work” and “Measures of

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
				Employee Whistleblowing” protect employees away from all sorts of infringement and harassments. If not treated fairly, there is an employee suggestion box for complain filing. There was incident of mistreatment complaint in 2022.
			Freedom to form Clubs	The Company has not created a union organization, but it is stated clearly in the “Human Rights Policy,” all employees are free to join a union with the freedom to participate in gatherings peacefully on the communication platform provided to ensure harmonious relations between the employer and employees.
			Health and Safety	① Comply with and pass ISO 45001, the occupational health and safety

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(2) Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in its employee remuneration?	✓		<p>management systems, to provide a safe and healthy working environment for all employees.</p> <p>② Provide employee health checkup regularly every year and speeches on health topics from time to time.</p> <p>Total training regarding occupational employee rights protection provided in 2022 was 38.5 hours with 77 participants.</p> <p>(2) The Company has stipulated “Work Rule” and “Employee Performance Evaluation” to set forth salary and warfare details. The salary package is composed of base salary, duty subsidy, work subsidy and performance bonus. Individual salary is decided based on education, experience, professional skills, duty and performance. The Company decides year-end bonus and annual employee bonus based on operation result and individual performance along with future operation plan. In addition to ad hoc pay rise applied collectively for overall operation result, the Company also gives individual promotions or pay increases to reflect personal performance. The Company is a strong</p>	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<p>advocate for gender, wage and promotion equality. In 2022, female workers and managers accounted for 59.9% and 43.7% of total employee population and management team, respectively.</p> <p>(3) The Company placed workplace safety and a tidy and healthy working environment as the first priority, provide employees with a clean environment and provide safety protection equipment for employees’ safety and health. The Company implements an automatic inspection plan for labor safety, health and automatic safety and hygiene inspections, and regular environment inspection by environmental protection personnel to ensure workplace safety. The Company regularly arranges health checkups and additional health checks for employees engaging in particularly hazardous operations. And implements various types of work safety and health education and training. A total of 4 occupational accidents occurred during 2022 and 4 employees (or 0.4%) were affected. Through several various discussions and reviews for casualty improvement, the Company has made adjustments to automatic checking items and protection gears. In addition to concept reinforcement on work safety, the Company has nursing staff available to ensure well-being of the workforce, both physically and mentally. Total training regarding occupational safety provided in</p>	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(4) Does the Company provide its employees with career development and training sessions?	✓		2022 was 2,720.5 hours with 2,698 participants. (4) In order to improve the professional quality and work skills of the employees, the Company regularly implements pre-job and on-job training to establish an effective career training program. Total training regarding occupational various training courses in 2022 was 6,287.5 hours with 3,693 participants.	No major difference.
(5) Does the Company comply with the relevant laws and regulations and international standards for its produces and service respecting customer health and safety, customer privacy, marketing, and labeling and formulated relevant consumer protection policies and grievance procedures?	✓		(5) All products produced by the Company met associated ISO certification (such as ISO 9001, ISO 14001, and IATF 16949). Also all production procedures comply with associated regulations such as RSL, REACH and ROHS from European Union, as well as requirements for procedures that are toxic, hazard, chemical or heavy metal free. The Company has formulated the “Procedures for Contract Review.” It is necessary to confirm the customer’s transaction conditions (environmental protection law and regulations, customer environmental protection requirements, etc.) in advance to ensure that the product quality meets the needs of the customers. The Company values customer opinions. In addition to paying each customer a visit, the Company regularly conducts customer satisfaction surveys. Business contact windows and email addresses are also setup on the company’s website to provide channels for customer questions,	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(6) Has the Company established management policies to request that suppliers comply with the relevant laws and regulations of environmental protection, occupational safety and health, and labor human rights? Does the Company keep track of the implementation of such policies?	✓		<p>complaints, and suggestions. The Company will have the questions of customers handled properly according to the principle of integrity in order to protect customer rights and interests.</p> <p>(6) The Company has formulated the Procedures for External Supplier Management” to review the delivery date, quality and process capability (including materials safety, environment and chemicals management) of the suppliers every month; also, selected competent suppliers as long-term partners.</p> <p>For vendor management, all our new suppliers are required to provide a “Certificate of Non-use of Hazardous Substances” and REACH SVHC Statement, and to fill out associated checklists to ensure compliance with international regulations for hazardous substance.</p> <p>Letter of compliance with corporate social responsibility from our major suppliers covers issues and regulations about labor rights, occupational safety and health, environment protection, ethical management and intellectual property rights protection.</p> <p>In addition, qualified suppliers shall submit regular self-check forms for quality and environment guarantee, in addition to on-the-spot audit performed by the Company. For quality assurance, raw materials provided shall pass tests from our quality control and testing labs. Monthly data on raw materials used will be collected, evaluated</p>	No major difference.

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
			and reviewed for continuous improvement. Remedial correction will be required from bottom tree vendors or vendors whose defect ratio exceeds 3%.	
5. Does the Company refer to the guidelines for the preparing its Corporate Sustainability Report and other reports that disclose the Company’s nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?	✓		The Company’s 2022 Sustainability Report was compiled based on guidance from Global Reporting Initiative, or GRI, although it has not been certified by a qualified third party.	No major difference.
6. Where the Company establishes its own sustainable development according to the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the discrepancy between its operation and the principles established: Through the Board’s approval, the Company has stipulated “Best-Practice Principles for Sustainable Development” and the associated policies and implementation mechanism. Starting from 2021, the Company will issue its Corporate Sustainability Report available on the Company’s website and Market Observation Post System. Implementations during 2021 adhered closely to the principles above.				
7. Other important information to facilitate the understanding of the status of sustainable development operation: (1) Environment protection/Occupational safety and health/energy The Company has signed the management on environment safety and energy saving, the Company has established “Policy for Environment Safety and Energy Saving” and committee to follow the principles below: ①Regulation compliance: Adhere to and promote all relevant laws and regulations. ②Energy saving and waste reduction: Commit to production improvement and waste recycle/reuse. ③Pollution prevention: Reduce pollutant impacts on the environment. ④Work accident prevention: Create a healthy, safe and accident-free working environment. ⑤Consultation participation: Provide training to promote the associated concepts to encourage employee participation for relevant initiatives. ⑥Support buying: Support green and local buying and prioritize buying from vendors that adopt environment safety regulations and are able to provide energy-saving products. ⑦Sustainable operation: Effect management on environment safety and energy saving followed by continuous review and improvement, and bring out corporate social responsibility.				

Promotion Item	Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
(2) Social participation aciivities and public welfare aciivities.				
Upholding the spirit of “From society, back to society,” Taiwan Paiho has been paying close attention to the developments of local communities, institutes and schools and has fostered a benign and friendly relationship with locals. The Company continued to invest in community participation and public welfare related activities in 2022 as listed below:				
Item	Content			Amount (NT\$ Thousand)
Donation to Poverty/ Disadvantaged Groups	<p>① For many years, we have been sponsoring “Community care – service to the seniors,” coupled with year-end dinner donation organized by Huashan Social Welfare, to care for the elderly who live alone. Employees and their families are encouraged to make individual donation. A total of 95 people participated in the event with 103 dinners donated.</p> <p>② Continuous sponsorship to various charity groups, including Kiwanis Club in Changhua County and the Pearl S. Buck Foundation in Taipei.</p> <p>③ Donation made to Taiwan Fund for Children and Families in Changhua via proceeds earned from a second-hand sale organized by the employees. The Company, at the same time, donated the same amount of proceed to Taiwan Foundation for Rare Disorders.</p>			343
Donation to Police, Fire Agencies/ Public Service Entities	<p>① Long-term sponsorship to the volunteer fireman crew in Changhua County and Friend of Police Association in Hemei to co-work with the local government to foster a safe community.</p>			60
Education Donation	<p>① Sponsorship, for the second term, is given to “Dream Come True” initiative: which was an art mentoring program, provided to teachers and students in Changhua Pei Ying Primary Schools for two 1.5 hours sessions per week. Art works completed through the programs have been posted in the campus or through school events.</p> <p>② Subsidies, for the third year, have been given to students in Hemei High School to cover full tuition and fees for three school years and self-study research projects.</p> <p>③ A total of 10 boxes of books have been donated to Taiwan Reading Culture Foundation to encourage book reading from students.</p>			130
Donation to Community/ Temple Fair	<p>① Local residents have been the driving force for Taiwan Paiho, and through supporting community events and religious pilgrimage, and sponsorships, the interaction level is enhanced.</p>			262

Promotion Item		Implementation Status			Discrepancies with the “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
		Yes	No	Summary Description	
Sports Donation	<ul style="list-style-type: none"> ① For many years, we have been working with FUTURO to sponsor football uniforms to kids and adult players in Taiwan Football Premier League, and related events. ② Provide sponsorship to Shis Care Association by donating 515 pairs of badminton shoes to disadvantaged kids in Miaoli. 				359
Other Donations	<ul style="list-style-type: none"> ① As a member of the Entrepreneur Club, we have sponsored the remodeling costs to assist the club’s operation. 				500
Charity Events	<ul style="list-style-type: none"> ① Starting from 2022, we have initiated “Taiwan Paiho for Coastline Preservation” and adopted a one-kilometer oyster farm by the coastline in Shengang Township, Changhua County for five years. A total of 199 people, or 597 volunteer hours, participated in the two beach cleanups. ② Starting from 2022, we have initiated “Taiwan Paiho for Forestation” and adopted an area of 1.78 hectare (or 2,670 trees) from #82 session, Yujing Area, supervised by Chiayi Forest District Office, for three years. Led by the General Manager, a tree planting event was held the same year to demonstrate our dedication to sustainable development. ③ Co-worked with Taichung Blood Service, a total of 324 people has made blood donation, or 439 bags of blood (109,750 c.c.) over three blood-donation events arranged by the Company. 				112

3.4.6 Status of Fulfilling Ethical Management and Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons.

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Has the Company formulated the ethical corporate management policy and approved by the Board of Directors; also, stated in the regulations and external documents the policies and practices of ethical corporate management, as well as the board and senior management’s commitment to actively implement the ethical corporate management policy?	✓		(1) Through the Board’s approval, the Company has established “Best-Practice Principles for Ethical Management” and disclosed the relevant policies on the internal regulation chapters, annual reports and company website. All of the Company’s directors and managerial officers has signed the Statement of Compliance with the Ethical Management Policy, total of 18 people, to fulfill the commitment.	No major difference
(2) Has the Company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior? Has the Company established also preventive programs for unethical behavior containing at least the preventive measures stated in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?”	✓		(2) When engaging in commercial activities, directors, managers, employees, or persons having substantial control shall not offer or receive bribes, offer improper political donation or charity sponsorship, provide or accept any improper gifts, entertainment or benefits, nor commit unethical acts infringing property rights, etc. Additional guidelines have been set up and shall be complied with by all employees of the Company. There were no unethical affairs in 2022.	No major difference.
(3) Has the Company established in these preventive programs operating procedures for unethical behavior prevention, penalties and grievance	✓		(3) The Company has stipulated “Procedures for Ethical Management and Guidelines for Conduct,” and “Measures to Handle Reporting of Wrong	No major difference.

Assessment Item	Operation Status			Discrepancies with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
systems of breaching the guidelines for conduct, has it implemented them, and does it periodically review them?			<p>Doings, Immoral and Unethical Conduct" to set forth clearly the procedures for handling unethical acts of all sorts as well as the associated disciplinary and reporting system.</p> <p>A reporting mailbox with dedicated handling personnel was set for implementation.</p> <p>To carry out the ethical management policy and prevent unethical conduct proactively, training sessions for Codes of Ethical Conduct with ethical management, as well as regulations regarding intellectual property rights, were provided for all new hires during onboarding.</p> <p>No reports of violation of ethical management were received during 2022.</p>	
2. Implementing Ethical Corporate Management				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) The personnel of the Company are prohibited from engaging in commercial transactions with suppliers, customers, or other business partners who are not honest; also, the transactions may be terminated or cancelled at any time upon discovery of their breach of good faith.	No major difference.
(2) Has the Company established a dedicated unit to implement ethical corporate management approved by the Board and report regularly (as least once a year) to the Board the status of implementation and supervision of the ethical management policy and preventive programs of unethical behavior?	✓		(2) The Company has set up the Sustainable Development Committee with an execution office and functional task forces, covering corporate governance, sustainable development, society engagement, employee care, and products and services, to draft the associated policy and implement operation related to ethical management. The Committee holds regular yearly meetings.	No major difference.

Assessment Item	Operation Status			Discrepancies with the ‘‘Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies’’ and Reasons								
	Yes	No	Summary Description									
			<p>Through the three meetings convened during 2022, beside from passing on relevant sustainable motions and in compliance with the laws and regulations to revise the "Ethical Corporate Management Best Practice Principles", it also report to the Board of Directors on the ethical management implementation status on November 10, 2022.</p> <p>Implementations for ethical management policy in 2022 are as follows:</p> <table><tr><td>Establish Rules of Ethical Management</td><td>Establish and amend regularly to refine ethical management.</td></tr><tr><td>Statement of Compliance with the Ethical Management Policy</td><td>All of the Company's directors and managerial officers has signed the Statement of Compliance with the Ethical Management Policy, total of 18 people.</td></tr><tr><td>Letter of Commitment to Social Responsibility</td><td>A total of over 160 suppliers have submitted the signed letter.</td></tr><tr><td>Training Session</td><td>① New employee training was given to 77 people. ② Advocacy sessions on intellectual property and information</td></tr></table>	Establish Rules of Ethical Management	Establish and amend regularly to refine ethical management.	Statement of Compliance with the Ethical Management Policy	All of the Company's directors and managerial officers has signed the Statement of Compliance with the Ethical Management Policy, total of 18 people.	Letter of Commitment to Social Responsibility	A total of over 160 suppliers have submitted the signed letter.	Training Session	① New employee training was given to 77 people. ② Advocacy sessions on intellectual property and information	
Establish Rules of Ethical Management	Establish and amend regularly to refine ethical management.											
Statement of Compliance with the Ethical Management Policy	All of the Company's directors and managerial officers has signed the Statement of Compliance with the Ethical Management Policy, total of 18 people.											
Letter of Commitment to Social Responsibility	A total of over 160 suppliers have submitted the signed letter.											
Training Session	① New employee training was given to 77 people. ② Advocacy sessions on intellectual property and information											

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
			<p>security were given to the entire employee body.</p> <p>③ Insider trading prevention were provided.</p> <p>④ “Risk prevention for intellectual property – new management of intellectual property in the digital era,” participated by 34 board members and key managers.</p> <p>⑤ “ESG risk monitoring from boards of directors for sustainable competitiveness of enterprises,” participated by 30 board members and key managers.</p>	
			<p>Amend and Sign Confidential Agreements.</p> <p>Amend “Confidentiality Agreement” with the addition of “Confidentiality and Non-Competition</p>	

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons				
	Yes	No	Summary Description					
			<table><tr><td></td><td>Statement.”</td></tr><tr><td>Information Disclosure</td><td>Related information with details regarding complaining channels and ethical management has been disclosed on the Company’s website.</td></tr></table>		Statement.”	Information Disclosure	Related information with details regarding complaining channels and ethical management has been disclosed on the Company’s website.	
	Statement.”							
Information Disclosure	Related information with details regarding complaining channels and ethical management has been disclosed on the Company’s website.							
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) A reporting mailbox with dedicated handling personnel is available to allow smooth reporting channels, especially for illegal conduct.	No major difference.				
(4) Has the company established an effective accounting system and an internal control system for the internal audit unit to establish related audit programs based on the results of risk assessment of involvement in unethical behavior in order to audit and prevent the compliance with the preventive programs of unethical behavior, or hire a CPA to perform the audit in order to achieve ethical corporate management?	✓		(4) The Company has established and substantively implemented the “Accounting System” and “Internal Control System.” In addition to the regular evaluation of its effective operation performed by each unit, the audit unit performs an internal control cycle check according to the annual audit plan and regularly reports the audit implementation to the Audit Committee and Board of Directors.	No major difference.				
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		(5) The Company promotes various education and training courses and propaganda on a regular or occasional basis.	No major difference.				
3. Operation of the Integrity Channel								
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate	✓		(1) Through the Board’s approval, the Company has stipulated “Practices to handle reporting unlawful, unethical or dishonest conduct” and has set up a reporting mailbox	No major difference.				

Assessment Item	Operation Status			Discrepancies with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
<p>person for follow-up?</p> <p>(2) Has the Company established standard operating procedures for investigation, post-investigation measures, and related mechanisms to ensure confidentiality of a whistleblower complaint?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p>		<p>and dedicated personnel to handle the matter.</p> <p>(2) Based on the handling procedures set forth by the Company, security of whistleblowers shall be guaranteed. No improper treatment shall be imposed, and their identity and contents of information shall be kept confidential.</p> <p>(3) According to “Measures to Handle Reporting of Wrong Doings, Immoral and Unethical Conduct,” it is guaranteed that no improper treatment will be imposed on whistleblowers reporting immoral or unethical conduct.</p>	<p>No major difference.</p> <p>No major difference.</p>
<p>4.Enhancing Information Disclosure</p> <p>(1) Does Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</p>	<p>✓</p>		<p>(1) The Company has disclosed the status of ethical management on the company’s website and Market Observation Post System.</p>	<p>No major difference.</p>
<p>5. If the Company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation.</p> <p>The Company’s “Best-Practice Principles for Ethical Management” was stipulated based on “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies.”</p>				
<p>6. Other important information to facilitate a better understanding of the Company’S ethical corporate management policies (e.g., review and amend its policies).</p> <p>Revisions were made to our copy when new amendments were made to “Ethical Management Best-Practice Principles for TWSE/GTSM Listed Companies.” The Company has stipulated “Best-Practice Principles for Corporate Governance,” “Best-Practice Principles for Ethical Management,” “Procedures for Ethical Management and Guidelines for Conduct,” “Best-Practice Principles for Sustainable Development,” and “Code of Ethical Conduct.”</p>				

3.4.7 Where the Company Establishes Corporate Governance Principles and Relevant Regulations, the Inquiry Method Thereof Shall be Disclosed

1. The Company has established the Corporate Governance Practice Principles and Relevant Regulations are as Follows:

- (1) "Corporate Governance Best Practice Principles."
- (2) "Rules and Procedures for Shareholders' Meeting."
- (3) "Rules and Procedures of Board of Directors' Meetings."
- (4) "Procedures for Governing the Election of Directors."
- (5) "Procedures for Acquisition or Disposal of Assets."
- (6) "Operational Procedures for Loaning of Company Funds."
- (7) "Regulation Governing Making of Endorsements/Guarantees."
- (8) "Remuneration Committee Charter."
- (9) "Procedures of Internal Material Information."
- (10) "Codes of Ethical Conduct."
- (11) "Ethical Corporate Management Best Practice Principles."
- (12) "Procedures for Ethical Management and the Guideline for Conduct."
- (13) "Sustainable Development Best Practice Principles."

2. The Inquiry Method:

Regarding the relevant regulations of the competent authority on corporate governance, the Company provides information available for download from the "Corporate Governance Structure - Relevant Rules for Establishment of Corporate Governance" under the "Corporate Governance" of MOPS (<http://mops.twse.com.tw>) or under "Investor" section on the Company's website ([http:// www.paiho.com](http://www.paiho.com)).

3.4.8 Other Important Information of Corporate Governance Operations :

1. The Company, with the approval of the Board of Directors, formulated the "Procedures of Internal Material Information" and "Codes of Ethical Conduct" to clearly define the internal information processing and disclosure mechanisms of the Company for the compliance of the directors, managerial officers, and employees. The relevant procedure information should be sent to the directors for reference after the board meeting; also, it should be announced to all the managerial officers, and colleagues of the Company for compliance. Information should be protected from any improper disclosure; also, the consistency and correctness of the information disclosed to the public by the Company should be ensured.

Advanced study of the Board Directors and managerial officers in 2022:

Title	Name	Study Date	Organizer	Courses	Study Hours
Independent Director	Jui-Lin Lo	Febreary 17, 2022	Association of Certified Public Accounts	Share capital planning.	3
Independent Director	Jui-Lin Lo	Febreary 23, 2022	Association of Certified Public Accounts	New promulgated amendments regarding profit-seeking enterprise income tax and notes for filing audit.	3
Independent Director	Jui-Lin Lo	July 21, 2022	Association of Certified Public Accounts	Money Laundry Prevention by CPAs.	3
Chairman and CEO	Sen-Mei Cheng	August 10, 2022	Taiwan Corporate Governance Association	Risk prevention for intellectual property – new management of intellectual property in the digital era.	3
Director and Vice General Manager	Yi-Ming Lin				3
Institutional Representative and General Manager	Cheng-Wei Cheng				3
Director	Hsi-Ming Pai				3
Director	Yi-Lun Cheng				3
Independent Director	Chung-Cheng Wang				3
Independent Director	Chia-Yu Chen				3
Vice General Manager of President Office	Kuei-Chu Yeh				3
Corporate Governance Officer	Yi-Wen Liao				3

Title	Name	Study Date	Organizer	Courses	Study Hours
Independent Director	Chia-Yu Chen	August 11, 2022 to August 12, 2022	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Vice Senior Manager, Finance Department	Yao-Da Huang	August 25, 2022 to August 26, 2022	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Director	Yi-Lun Cheng	September 15, 2022 to September 16, 2022	Accounting Research and Development Foundation	Issuer, Securities Firm, Stock Exchange Accounting Supervisor Advanced Education Courses.	12
Independent Director	Chung-Cheng Wang	September 18, 2022	Taiwan Investor Relations Institute	Real cases for ESG and Taxation Practice	3
Corporate Governance Officer	Yi-Wen Liao	September 21, 2022	Accounting Research and Development Foundation	Taxation for Controlled Foreign Company and real practice	3
Institutional Representative and General Manager	Cheng-Wei Cheng	September 23, 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng	September 23, 2022	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Workshop	3
Chairman and CEO	Sen-Mei Cheng	November 10, 2022	Taiwan Corporate Governance Association	ESG risk monitoring from boards of directors for sustainable competitiveness of enterprises.	3
Director and Vice General Manager	Yi-Ming Lin				3
Institutional Representative and General Manager	Cheng-Wei Cheng				3
Director	Hsi-Ming Pai				3

Title	Name	Study Date	Organizer	Courses	Study Hours
Director	Yi-Lun Cheng	November 10, 2022	Taiwan Corporate Governance Association	ESG risk monitoring from boards of directors for sustainable competitiveness of enterprises.	3
Independent Director	Chia-Yu Chen				3
Vice General Manager of President Office	Kuei-Chu Yeh				3
Executive Vice General Manager of Sales Department	Cheng-Tsung Cheng				3
Production Vice General Manager, President Office concurrently as Vice General Manager, Processing Factory and Dye House	Tung-Yu Huang				3
Vice General Manager of Head Factory	Hui-Huang Huang				3
Corporate Governance Officer	Yi-Wen Liao				3
Corporate Governance Officer	Yi-Wen Liao	November 15, 2022	The Institute of Internal Auditors-Chinese	Cross-strait tax audit and regulations with real case analysis	3

3. Relevant Certificates Designated by the Competent Authorities to be Acquired by the Company and the Personnel Responsible for Financial Information Transparency:

Two persons in the President Office and Audit Department of the Group obtained certificate on CPA of Republic of China.

3.4.9 Status of the Internal Control System Implementation

1. Statement of Internal Control System

TAIWAN PAIHO LIMITED

Statement of Internal Control System

Date: March 15, 2023

Based on the findings of a self-assessment, Taiwan Paiho Limited states the following with regard to its internal control system during the year 2022:

- I. The Company acknowledges and understands that the establishment, enforcement, and maintenance of the internal control systems are the responsibility of the Board of Directors and managerial officers, and that the Company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability, timeliness, transparency of financial reporting and compliance with relevant regulatory requirements.
- II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of the three objectives as mentioned above. Furthermore, its effectiveness may change due to changes in the Company's environment and circumstances. However, self-monitoring mechanisms were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company evaluates the effectiveness of the design and implementation of its internal control systems in accordance with the items in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (herein below "Governing Regulations") that are related to the effectiveness of internal control systems. The Criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control environment, (2) Risk assessment, (3) Control activities, (4) Information and communication, and (5) Monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the aforementioned measures for an evaluation of the effectiveness of the design and implementation of the internal control system.
- V. Based on the findings of the aforementioned evaluation, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2022 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, timeliness, transparency in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This statement shall be an integral part of the annual report and prospectus of the Company and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement was passed by the Board of Directors in their meeting held on March 15, 2023 with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this statement.

TAIWAN PAIHO LIMITED

Chairman: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.10 In the Recent Year and Up to the Annual Report Publication Date, Disclose Any Sanctions Imposed in Accordance with the Law upon the Company or Its Internal Personnel, Any Sanctions Imposed by the Company upon Its Internal Personnel for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements: None.

3.4.11 Material Resolutions of Shareholders' Meeting and Board of Directors in the Recent Year and Up to the Annual Report Publication Date:

1. Material Resolutions of 2022 Annual General Shareholders' Meeting and the Implementation Status thereof:

Meeting Date	Material Resolutions and Implementation Status
June 24, 2022	<ol style="list-style-type: none"> 1. Recognized the 2021 Business Report and Financial Statements. Implementation Status : Approved by Shareholders' Meeting. 2. Recognized of the proposal for distribution of 2021 Profits. Implementation Status : Approved a cash dividend per share of NT\$3.5, and allocation baseline date was August 9, 2022. Cash dividend payment date was completed by August 30, 2022. 3. Amendments to "Articles of Incorporation." Statements. Implementation Status : It was approved for registration by the Ministry of Economic Affairs on July 4, 2022 and disclosed on the Company's website. 4. Amendments to "Procedures for the Acquisition or Disposal of Assets." Implementation Status : It was announced on the Company's website on July 12, 2022 and operated according to the amended "Procedures for the Acquisition or Disposal of Assets" 5. Amendments to "Rules of Procedure for Shareholders Meetings." Implementation Status : It was announced on the Company's website on July 12, 2022 and operated according to the amended "Rules of Procedure for Shareholders Meetings." 6. Amendments to "Operational Procedures for Loaning of Company Funds." Implementation Status : It was announced on the Company's website on July 12, 2022 and operated according to the amended "Operational Procedures for Loaning of Company Funds." 7. Amendments to "Regulation Governing Making of Endorsements/Guarantees."

Meeting Date	Material Resolutions and Implementation Status
	Implementation Status : It was announced on the Company's website on July 12, 2022 and operated according to the amended "Regulation Governing Making of Endorsements/Guarantees."

2. Material Resolutions of Board of Directors' Meetings in the Recent Year and Up to the Annual Report Publication Date

Term	Meeting Date	Material Resolutions
The 13 th meeting of the 13 th board	March 25, 2022	<ol style="list-style-type: none"> 1. Approved the appointment of Vice General Manager of the Company. 2. Approved the Company's proposed credit line application with Banks of NT\$ 1,870,000 thousand and US\$ 20,700 thousand (or equivalent of new taiwan dollar) for its operations. 3. Approved the Company to make endorsement/guarantees for its affiliates. 4. Approved 2022 CPAs' audit fees. 5. Approved the assessment of the independence and competency of the CPA. 6. Approved the 2021 Statement of Internal Control System. 7. Approved the proposal to sell 14.2857% shareholding of Leader Elastic Limited held by the Company. 8. Approved the proposal on capital reduction of US\$ 4.5 million for Dongguan Powder Company. 9. Approved the proposal to change salary package for managerial officers. 10. Approved distribution of 2021 employees' compensation and remuneration for Directors. 11. Approved the 2021 Business Report and Financial Statements. 12. Approved the proposal for distribution of 2021 earnings. 13. Approved the distribution of cash dividends for 2021. 14. Approved the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than 50% of the net worth as of the end of December, 2021. 15. Approved amendments to "Corporate Governing Best Practice Principles." 16. To submit the shareholders' meeting resolution to amendments the "Articles of Incorporation." 17. To submit the shareholders' meeting resolution to

Term	Meeting Date	Material Resolutions
		<p>amendments the “Procedures for the Acquisition or Disposal of Assets”</p> <p>18. To submit the Shareholders’ Meeting resolution to amend the “Rules of Procedure for Shareholders Meetings.”</p> <p>19. To submit the Shareholders’ Meeting resolution to amend the “Operational Procedures for Loaning of Company Funds.”</p> <p>20. Approved to convene 2022 Annual General Shareholders’ Meeting’s type, date, time, venue and the matters, and shareholders may also exercise voting rights by electronically.</p> <p>21. Approved 2022 Annual General Shareholders’ Meeting relevant matters of accepting the shareholders proposals.</p> <p>22. Approved the proposal to legal representative assignments for director seats in associated business.</p> <p>23. Approved the proposal to amend the construction budget used to build new plants by Vietnam Paihong Company.</p> <p>24. Approved amendments to “Ethical Corporate Management Best Practice Principles.”</p> <p>25. Approved amendments to “Corporate Sustainable Development Best Practice Principles.”</p> <p>26. Approved the proposal for reporting scope and compensation for the inspector appointed by the court.</p>
The 14 th meeting of the 13 th board	May 6, 2022	<p>1. Approved the Company to make endorsement/guarantees for its affiliates.</p> <p>2. Approved the Company’s consolidated financial statements for the first quarter of 2022.</p> <p>3. To submit the Shareholders’ Meeting resolution to amend the “Regulation Governing Making of Endorsements/Guarantees.”</p> <p>4. Approved the proposal to change the causes to call for 2022 Annual General Shareholders’ Meeting of the Company.</p> <p>5. Approved the dissolution and liquidation of China Star Company.</p> <p>6. Approved the proposal to of all shareholding in Dongguan Powder Company to non-related parties.</p> <p>7. Approved the proposal that Paiho Shih Company take part in a joint venture with several parties to establish a venture for an electrical bicycle assembly.</p>

Term	Meeting Date	Material Resolutions
The 15 th meeting of the 13 th board	June 30, 2022	<ol style="list-style-type: none"> 1. Approved the proposal for group restructuring purposes, the shareholding of Vietnam Paihong Company, 100%, held by Hon Shin Corp. is sold to Hong Kong Best Expectation Company. 2. Approved the capital increase for Shanghai Best Expectation Company and Hong Kong Best Expectation Company. 3. Approved on capital reduction of US\$ 10 million for Wuxi Paisen Company.
The 16 th meeting of the 13 th board	August 10, 2022	<ol style="list-style-type: none"> 1. Approved the Company's proposed credit line application with Banks of NT\$ 1,240,000 thousand and US\$ 15,000 thousand (or equivalent of new taiwan dollar) for its operations. 2. Approved the Company to make endorsement/guarantees for its affiliates. 3. Approved the Company's consolidated financial statements for the second quarter of 2022.
The 17 th meeting of the 13 th board	August 25, 2022	<ol style="list-style-type: none"> 1. Approved the Company to make endorsement/guarantees for its affiliates. 2. Approved Jiangsu Paihong Company merge Wuxi Paihong Company.
The 18 th meeting of the 13 th board	October 6, 2022	<ol style="list-style-type: none"> 1. Approved Jiangsu Paihong Company acquire Unit 9-2001 on Lot A in Project XDG-2013-3 under Paiho International Mansion from Wuxi Paihong Company. 2. Approved Wuxi Paihong Company selling property units with parking to the related partie.
The 19 th meeting of the 13 th board	November 10, 2022	<ol style="list-style-type: none"> 1. Approved amendments to "corporate sustainability committee organizational procedures." 2. Approved amendments to "Management Practice for Intellectual Property." 3. Approved the Company to make endorsement/guarantees for its affiliates. 4. Approved amendments to "Rules of Procedure for Board of Directors Meetings." 5. Approved amendments to "Codes of Ethical Conduct." 6. Approved amendments to Procedures of Internal Material Information." 7. Approved amendments to "Supervision Measures for Subsidiaries." 8. Approved amendments to partial articles in the Company's "Internal Control System" and the associated "Implementation Rules for Internal Audits." 9. Approved the Company's consolidated financial statements for the third quarter of 2022. 10. Approved on capital reduction for Hon Shin Company.

Term	Meeting Date	Material Resolutions
The 20 th meeting of the 13 th board	December 21, 2022	<ol style="list-style-type: none"> 1. Approved the custodian of the Company's chop used for endorsement and guarantee. 2. Approved made to capital increase of US\$ 2 million for Zhong Yuan Xing Ye Company. 3. Approved adjustment of director appointments to Vietnam Paiho Company. 4. Approved the Company's 2023 internal control audit plan. 5. Approved the Company's 2023 business plan and annual budget. 6. Approved remuneration structure and payment to managerial officers and directors. 7. Approved distribution of 2022 estimated bonus of managerial officers.
The 21 st meeting of the 13 th board	March 15, 2023	<ol style="list-style-type: none"> 1. Approved the Company's proposed credit line application with Banks of NT\$ 2,170,000 thousand and US\$ 20,700 thousand (or equivalent of new taiwan dollar) for its operations. 2. Approved the Company to make endorsement/guarantees for its affiliates. 3. Approved the change of CPAs to accommodate the operation rotation from Deloitte Taiwan. 4. Approved 2023 CPAs' audit fees. 5. Approved the assessment of the independence and competency of the CPA. 6. Approved the 2022 Statement of Internal Control System. 7. Approved distribution of 2022 employees' compensation and remuneration for Directors. 8. Approved the 2022 Business Report and Financial Statements. 9. To submit the Shareholders' Meeting resolution to re-elect for the 14th Directors of the Company. 10. To submit the Shareholders' Meeting resolution to amendment the "Rules of Procedure for Shareholders Meetings." 11. To submit the Shareholders' Meeting resolution to amendment the "Operational Procedures for Loaning of Company Funds." 12. To submit the Shareholders' Meeting resolution to amendment the "Regulation Governing Making of Endorsements/Guarantees." 13. Approved amendments to "Payment of Directors'

Term	Meeting Date	Material Resolutions
		<p>Remuneration.”</p> <p>14. Approved amendments to “Salary Standard for Managerial Officers.”</p> <p>15. Approved to convene 2023 Annual General Shareholders’ Meeting’s date, time, venue and the matters, and shareholders may also exercise voting rights by electronically.</p> <p>16. Approved 2023 Annual General Shareholders’ Meeting relevant matters of accepting the shareholders proposals and shareholders nomination of directors and independent directors’ candidates.</p> <p>17. Approved made to capital increase for Shanghai Best Expectation Company, Hong Kong Paichi Ltd., and Vietnam Paihong Company., and Vietnam Paihong Company.</p>
The 22 nd meeting of the 13 th board	April 20, 2023	<p>1. Approved the 2022 Business Report and Financial Statements.</p> <p>2. Approved the distribution of cash dividends for 2022.</p> <p>3. Approved the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than 50% of the net worth as of the end of December, 2022.</p> <p>4. To submit the Shareholders’ Meeting resolution to amendment the “Rules of Procedure for Shareholders Meetings.”</p> <p>5. To submit the Shareholders’ Meeting election the list of candidates for directors (including independent directors).</p> <p>6. To submit the Shareholders’ Meeting resolution to lift the non competition restrictions for new directors and its representative of the Company.</p> <p>7. Approved that the Company purchase land from a related party.</p>

3.4.12 Where, in the Recent Year and Up to the Annual Report Publication Date, a Director has Expressed a Dissenting Opinion with Respect to a Material Resolution Approved by the Board of Directors, and Said Dissenting Opinion has been Recorded or Prepared as a Written Declaration, Disclose the Principal Content thereof: None.

1.4.13 A Summary of Resignations and Dismissals, in the Recent Year and Up to the Annual Report Publication Date, of the Company's Chairman, General Manager, Accounting Officer, Financial Officer, Internal Audit Officer, Corporate Governance Officer, and Research and Development Officer: None.

3.5 Information on Certified Public Accountant Professional Fees

Unit : NT\$ thousands

Accounting Firm	Name of the CPA	CPA's Audit Period	Audit Fees	Non-Audit Fees	Total	Note
Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	January 1, 2022 to December 31, 2022	\$ 3,970	\$ 550	\$ 4,520	Note 1

Note 1: Non-audit service fees included transfer pricing for 2021 and an audit service for offshore funding used in investment projects in Taiwan.

3.5.1 Replaced the Audit Firm and the Audit Fee paid to the New Audit Firm was Less than the Payment of Previous Year: Not applicable.

3.5.2 Audit Fee Reduced More than 10% over Year: Not applicable.

3.6 Information on Replacement of Certified Public Accountant :

3.6.1 Former CPAs

Date of Change	Starting from the first quarter of 2023			
Reasons and Explanation of Changes	In order to cooperate with the internal work reassignment and arrangement of Deloitte Taiwan, CPA Shu-Chin Chiang and CPA Ting-Chien Su responsible for the audit of the Company’s financial report have been replaced by CPA Ting-Chien Su and CPA Shao-Chun Wu.			
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client / Status		CPA	Consignor
	Appointment terminated automatically		Not applicable	Not applicable
	Appointment rejected (discontinued)		Not applicable	Not applicable
The Opinions Other than Unmodified Opinion Issued in the Past Two Years and the Reasons for the Said Opinions	None			
Is There Any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice	
			Disclosure of financial statements	
			Auditing scope or procedures	
			Others	
	No	✓		
	Explanation			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None			

3.6.2 Successor CPAs

Accounting Firm	Deloitte &Touche
CPA	CPA Ting-Chien Su and CPA Shao-Chun Wu.
Date of Engagement	Passed by the Board of Directors on March 15, 2023.
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the ‘‘Regulations Governing Information to be Published in Annual Reports of Public Companies’’:
None.

3.7 The Company’s Chairman, General Manager, or Managerial Officer in Charge of Finance or Accounting Matters has in the Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of such Accounting Firm: None.

3.8 Net Change in Shareholding and in Shares Pledged by Directors, Managerial Officers, and Shareholders with 10% Shareholdings or More in the Recent Year and Up to the Annual Report Publication Date

3.8.1 Net Change in Shareholding and in Shares Pledged by Directors, Managerial Officers, and Shareholders with 10% Shareholdings or More

Title	Name	2022		As of April 9, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman and CEO	Sen-Mei Cheng	0	0	0	0
Vice Chairman and Vice General Manager, Sales Department	Yi-Ming Lin	0	0	0	0
Director	Everise Investment Co., Ltd. (Representative: Cheng-Wei Cheng)	1,475,000	0	0	0
Director	Hsi-Ming Pai	0	0	0	0
Director	Yi-Lun Cheng	0	0	0	0
Independent Director	Jui-Lin Lo	0	0	0	0
Independent Director	Chung-Cheng Wang	0	0	0	0
Independent Director	Chia-Yu Chen	0	0	0	0
General Manager	Cheng-Wei Cheng	220,000	0	0	0
Executive Vice General Manager, Sales Department	Cheng-Tsung Cheng	75,000	0	30,000	0
Vice General Manager, President office	Kuei-Chu Yeh	23,000	0	0	0

Title	Name	2022		As of April 9, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Production Vice General Manager of General Manager Office concurrently as Vice General Manager of Processing Factory and Dye House	Tung-Yu Huang	0	0	0	0
Vice General Manager of Creative Product R&D Department concurrently as Vice General Manager of Marketing Department	Huan-Tung Tseng	0	0	0	0
Vice General Manager of Head Factory	Hui-Huang Huang	2,000	0	0	0
Senior Manager, Sales Department	Kuo-Chih Lai	0	0	0	0
Project Senior Manager, Sales Department	Mei-Ting Yang	0	0	0	0
Vice Senior Manager, Finance Department and Chief of Accounting Department	Yao-Da Huang	0	0	0	0
Vice Senior Manager, Sales Development	Po-Hsun Huang	0	0	0	0
Corporate Governance Officer	Yi-Wen Liao	0	0	0	0

3.8.2 Stock Trade with Related Party : None.

3.8.3 Stock Pledge with Related Party : None.

3.9 Related Party Relationship among the Company's Top Ten Shareholders

April 9 2023; unit: Shares

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholders		Note
	Number of Shares	Proportion	Number of Shares	Proportion	Number of Shares	Proportion	Name	Relationship	
Fubon Life Insurance Co., Ltd Representative: Ming-Hsiung Tsai	23,363,000	7.84%	0	0.00%	0	0.00%	None	None	None
Ming-Hsiung Tsai	0	0.00%	0	0.00%	0	0.00%	None	None	None
Capital Securities (HK) Ltd.	11,113,959	3.73%	0	0.00%	0	0.00%	None	None	None
Everise Investment Co., Ltd. Representative: Cheng-Wei Cheng	10,757,856	3.61%	0	0.00%	0	0.00%	Cheng-Wei Cheng Cheng-Tsung Cheng Sen-Mei Cheng	Chairman of Everise Investment Co., Ltd. Director of Everise Investment Co., Ltd. Shareholder of Everise Investment Co., Ltd.	None
Chunghwa Post Co., Ltd.	9,612,000	3.23%	0	0.00%	0	0.00%	None	None	None
Capital Securities Corporation in custody for Unicorn Securities Company Limited	9,528,228	3.20%	0	0.00%	0	0.00%	None	None	None

Name	Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship between the Company's Top 10 Shareholders		Note
	Number of Shares	Proportion	Number of Shares	Proportion	Number of Shares	Proportion	Name	Relationship	
Cheng-Wei Cheng	6,119,553	2.05%	560,551	0.19%	0	0.00%	Everise Investment Co., Ltd. Sen-Mei Cheng Cheng-Tsung Cheng	Chairman The first degree The second degree	None
Cheng-Tsung Cheng	5,868,424	1.97%	258,840	0.09%	0	0.00%	Everise Investment Co., Ltd. Sen-Mei Cheng Cheng-Wei Cheng	Director The first degree The second degree	None
Chih-Yu Cheng	5,394,151	1.81%	Note	Note	Note	Note	Note	Note	Note
Deutsche Bank in custody for NT Asian Discovery Master Fund	5,300,000	1.78%	0	0.00%	0	0.00%	None	None	None
Sen-Mei Cheng	4,943,976	1.66%	940,000	0.32%	10,757,856	3.61%	Everise Investment Co., Ltd. Cheng-Wei Cheng Cheng-Tsung Cheng	Shareholder The first degree The first degree	None

Note: Data cannot be obtained.

3.10 The Total Number of Shares and Total Equity Stake Held in Single Enterprise by the Company, Its Directors, and Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

April 9, 2023; Unit: Shares; %

Investments Company (Note)	Investments by the Company		Investments from Directors, Managerial Officers, and Directly or Indirectly Controlled Companies		Total Investment	
	Number of Shares	Proportion	Number of Shares	Proportion	Number of Shares	Proportion
Paiho Int'l Company	14,368,564	100%	0	0%	14,368,564	100%
Paiho Group Company	8,567,663	100%	0	0%	8,567,663	100%
Spring Rich Limited	Not Applicable	100%	Not Applicable	0%	Not Applicable	100%
Paiho North America Company	800,000	100%	0	0%	800,000	100%
Paiho Indonesia Company	178,200	99%	1,800	1%	180,000	100%
Vietnam Paiho Company	Not Applicable	33%	Not Applicable	67%	Not Applicable	100%

Note: Invested by the Company using the equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital Stock

Month/Year	Issue Price	Authorized Share Capital		Capital Stock		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
April 1995	10	30,420,000	\$ 304,200,000	30,420,000	\$ 304,200,000	Capitalization of earnings.	None	Note 1
July 1997	10	36,504,000	365,040,000	36,504,000	365,040,000	Capitalization of earnings and capital surplus.	None	Note 2
November 1997	10	41,040,000	410,040,000	41,004,000	410,040,000	Cash capital increase.	None	Note 3
May 1998	10	80,000,000	800,000,000	54,125,280	541,252,800	Capitalization of earnings and cash capital increase.	None	Note 4
June 1999	10	80,000,000	800,000,000	62,244,080	622,440,800	Capitalization of earnings.	None	Note 5
June 2000	10	80,000,000	800,000,000	78,039,100	780,391,000	Capitalization of earnings and employee bonuses.	None	Note 6
May 2001	10	120,000,000	1,200,000,000	90,244,965	902,449,650	Capitalization of earnings and employee bonuses.	None	Note 7
July 2002	10	120,000,000	1,200,000,000	106,286,609	1,062,866,090	Capitalization of earnings and employee bonuses.	None	Note 8
July 2003	10	200,000,000	2,000,000,000	128,493,930	1,284,939,300	Capitalization of earnings and employee bonuses.	None	Note 9

Month/Year	Issue Price	Authorized Share Capital		Capital Stock		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
July, 2003	10	200,000,000	2,000,000,000	131,608,362	1,316,083,620	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 10
September 2003	10	200,000,000	2,000,000,000	132,223,486	1,322,234,860	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 11
October 2003	10	200,000,000	2,000,000,000	132,357,982	1,323,579,820	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 12
July 2004	10	200,000,000	2,000,000,000	146,225,245	1,462,252,450	Conversion of the “overseas convertible corporate bond payable” to common stock shares.	None	Note 13
September 2004	10	200,000,000	2,000,000,000	160,241,043	1,602,410,430	Capitalization of earnings and employee bonuses.	None	Note 14
July 2005	10	240,000,000	2,400,000,000	177,109,789	1,771,097,890	Conversion of the “overseas convertible corporate bond payable” to common stock shares.	None	Note 15
September 2005	10	240,000,000	2,400,000,000	194,033,893	1,940,338,930	Capitalization of earnings and employee bonuses.	None	Note 16
June 2006	10	240,000,000	2,400,000,000	194,133,842	1,941,338,420	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 17
August 2006	10	240,000,000	2,400,000,000	216,377,570	2,163,775,700	Capitalization of earnings and employee bonuses.	None	Note 18
January 2007	10	240,000,000	2,400,000,000	229,213,168	2,292,131,680	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 19
April 2007	10	240,000,000	2,400,000,000	232,778,611	2,327,786,110	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 20

Month/Year	Issue Price	Authorized Share Capital		Capital Stock		Note		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
July 2007	10	240,000,000	2,400,000,000	233,073,874	2,330,738,740	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 21
September 2007	10	270,000,000	2,700,000,000	257,552,972	2,575,529,720	Capitalization of earnings and employee bonuses.	None	Note 22
October 2007	10	270,000,000	2,700,000,000	258,116,482	2,581,164,820	Conversion of the “convertible corporate bond payable” to common stock shares.	None	Note 23
August 2008	10	300,000,000	3,000,000,000	285,439,130	2,854,391,300	Capitalization of earnings and employee bonuses.	None	Note 24
February 2009	10	300,000,000	3,000,000,000	279,496,130	2,794,961,300	Capital reduction and cancellation of treasury share.	None	Note 25
August 2010	10	300,000,000	3,000,000,000	293,470,936	2,934,709,360	Capitalization of earnings.	None	Note 26
March 2012	10	380,000,000	3,800,000,000	278,470,936	2,784,709,360	Capital reduction and cancellation of treasury share.	None	Note 27
September 2012	10	380,000,000	3,800,000,000	297,963,902	2,979,639,020	Capitalization of earnings.	None	Note 28

	Date	Approval Document No.	Content
Note 1	April 22, 1995	(1995)Tai Cai Zheng (1) No. 20043.	Approved the capitalization of the earnings of NT\$50,700,000 with 5,070,000 common stock share issued at NT\$10 per for a grand total of NT\$50,700,000.
Note 2	July 3, 1997	(1997)Tai Cai Zheng (1) No. 52450.	Approved the capitalization of the earnings of NT\$ 42,588,000 and capital surplus of NT\$18,252,000 with 6,084,000 common stock share issued at NT\$10 per for a grand total of NT\$60,840,000.
Note 3	November 21, 1997	(1997)Tai Cai Zheng (1) No. 86218.	Approved the cash capital increase with 4,500,000 common stock share issued at NT\$10 per for a grand total of NT\$45,000,000.
Note 4	May 22, 1998	(1998)Tai Cai Zheng (1) No. 45437.	Approved the cash capital increase of NT\$ 49,204,800 and the capitalization of the earnings of NT\$ 82,008,000 with 13,121,280 common stock share issued at NT\$10 per for a grand total of NT\$131,212,800.
Note 5	June 30, 1999	(1999)Tai Cai Zheng (1) No. 56870.	Approved the capitalization of the earnings of NT\$81,188,000 with 8,118,800 common stock share issued at NT\$10 per for a grand total of NT\$81,188,000.
Note 6	June 28, 2000	(2000)Tai Cai Zheng (1) No. 55291.	Approved the capitalization of the earnings and employee bonuses of NT\$ 157,950,200 with 15,795,020 common stock share issued at NT\$10 per for a grand total of NT\$ 157,950,200.
Note 7	May 28, 2001	(2001)Tai Cai Zheng (1) No. 132792.	Approved the capitalization of the earnings and employee bonuses of NT\$122,058,650 with 12,205,865 common stock share issued at NT\$10 per for a grand total of NT\$122,058,650.
Note 8	July 16, 2002	(2002)Tai Cai Zheng (1) No. 0910139349.	Approved the capitalization of the earnings and employee bonuses of NT\$ 160,416,440 with 16,041,644 common stock share issued at NT\$10 per for a grand total of NT\$ 160,416,440.
Note 9	July 9, 2003	(2003)Tai Cai Zheng (1) No. 0920130748.	Approved the capitalization of the earnings and employee bonuses of NT\$ 222,073,210 with 22,207,321 common stock share issued at NT\$10 per for a grand total of NT\$ 222,073,210.
Note 10	July 31, 2003	Shou Shang Zi No.09201235800.	Conversion of the “convertible corporate bond payable” to 3,114,432 common stock shares at NT\$10 per for a grand total of NT\$31,144,320.
Note 11	September 18, 2003	Shou Shang Zi No.09201270500.	Conversion of the “convertible corporate bond payable” to 615,124 common stock shares at NT\$10 per for a grand total of NT\$6,151,240.
Note 12	October 17, 2003	Shou Shang Zi No. 09201294010.	Conversion of the “convertible corporate bond payable” to 134,496 common stock shares at NT\$10 per for a grand total of NT\$1,344,960.

	Date	Approval Document No.	Content
Note 13	July 30, 2004	Shou Shang Zi No. 09301132410.	Conversion of the “overseas convertible corporate bond payable” to 13,867,263 common stock shares at NT\$10 per for a grand total of NT\$138,672,630.
Note 14	September 29, 2004	Shou Shang Zi No. 09301182350.	Approved the capitalization of the earnings and employee bonuses of NT\$ 140,157,980 with 14,015,798 common stock share issued at NT\$10 per for a grand total of NT\$ 140,157,980.
Note 15	July 21, 2005	Shou Shang Zi No. 09401138220.	Conversion of the “overseas convertible corporate bond payable” to 16,868,746 common stock shares at NT\$10 per for a grand total of NT\$168,687,460.
Note 16	September 12, 2005	Shou Shang Zi No. 09401173130.	Approved the capitalization of the earnings and employee bonuses of NT\$ 169,241,040 with 16,924,104 common stock share issued at NT\$10 per for a grand total of NT\$ 169,241,040.
Note 17	July 20, 2006	Shou Shang Zi No. 09501153840.	Conversion of the “convertible corporate bond payable” to 99,949 common stock shares at NT\$10 per for a grand total of NT\$ 999,490.
Note 18	September 22, 2006	Shou Shang Zi No. 09501216590.	Approved the capitalization of the earnings and employee bonuses of NT\$ 222,437,280 with 22,243,728 common stock share issued at NT\$10 per for a grand total of NT\$222,437,280.
Note 19	January 16, 2007	Shou Shang Zi No. 09601010320.	Conversion of the “convertible corporate bond payable” to 12,835,598 common stock shares at NT\$10 per for a grand total of NT\$ 128,355,980.
Note 20	April 20, 2007	Shou Shang Zi No. 09601084620.	Conversion of the “convertible corporate bond payable” to 3,565,443 common stock shares at NT\$10 per for a grand total of NT\$ 35,654,430.
Note 21	July 17, 2007	Shou Shang Zi No. 09601166840.	Conversion of the “convertible corporate bond payable” to 295,263 common stock shares at NT\$10 per for a grand total of NT\$ 2,952,630.
Note 22	September 11, 2007	Shou Shang Zi No. 09601222830.	Approved the capitalization of the earnings and employee bonuses of NT\$244,790,980 with 24,479,098 common stock share issued at NT\$10 per for a grand total of NT\$244,790,980.
Note 23	October 11, 2007	Shou Shang Zi No. 09601248900.	Conversion of the “convertible corporate bond payable” to 563,510 common stock shares at NT\$10 per for a grand total of NT\$ 5,635,100.
Note 24	August 19, 2008	Shou Shang Zi No. 09701207530.	Approved the capitalization of the earnings and employee bonuses of NT\$273,226,480 with 27,322,648 common stock share issued at NT\$10 per for a grand total of NT\$ 273,226,480.

	Date	Approval Document No.	Content
Note 25	February 17, 2009	Shou Shang Zi No. 09801027870.	Wrote off 5,943,000 shares of treasury stock at NT\$10 per for a grand total of NT\$ 59,430,000.
Note 26	August 26, 2010	Shou Shang Zi No. 09901192020.	Approved the capitalization of the earnings of NT\$139,748,060 with 13,974,806 common stock share issued at NT\$10 per for a grand total of NT\$139,748,060.
Note 27	March 26, 2012	Shou Shang Zi No. 10101050500.	Wrote off 15,000,000 shares of treasury stock at NT\$10 per for a grand total of NT\$150,000,000.
Note 28	September 25, 2012	Shou Shang Zi No. 10101197760.	Approved the capitalization of the earnings of NT\$ 194,929,660 with 19,492,966 common stock share issued at NT\$10 per for a grand total of NT\$ 194,929,660.

Type of shares:

April 9, 2023; Unit: shares

Type of Shares	Authorized Capital Stock				Note
	Outstanding (Note)		Unissued Shares	Total	
	Listed on TWSE	Non-listed			
Common Stock	297,963,902	0	82,036,098	380,000,000	None

Note : Listed on TWSE.

Information for Shelf Registration: None.

4.1.2 Shareholder's Structure

April 9, 2023; Unit: persons/shares/%

Shareholder's Structure Number	Governmental Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Natural Persons	Total
Number of shareholders	1	16	230	31,739	181	32,167
Shareholding (Shares)	33	51,976,000	34,463,421	131,370,657	80,153,791	297,963,902
Shareholding Percentage	0.00%	17.44%	11.57%	44.09%	26.90%	100.00%

4.1.3 Distribution Profile of Share Ownership

1. Common Stock

April 9, 2023; Unit: persons/shares/%

Class of Shareholding	Number of Shareholders	Shareholding	Shareholding Percentage
1 - 999	19,835	969,065	0.33%
1,000 - 5,000	9,573	19,354,224	6.49%
5,001 - 10,000	1,299	10,138,366	3.40%
10,001 - 15,000	430	5,500,697	1.85%
15,001 - 20,000	238	4,380,056	1.47%
20,001 - 30,000	231	5,866,460	1.97%
30,001 - 40,000	116	4,230,258	1.42%
40,001 - 50,000	73	3,378,621	1.13%
50,001 - 100,000	152	10,927,472	3.67%
100,001 - 200,000	84	11,402,437	3.83%
200,001 - 400,000	46	12,502,556	4.20%
400,001 - 600,000	29	14,367,044	4.82%
600,001 - 800,000	8	5,512,354	1.85%
800,001 - 1,000,000	11	10,153,903	3.41%
More than 1,000,001	42	179,280,389	60.16%
Total	32,167	297,963,902	100.00%

2. Preferred Stock: Not applicable.

4.1.4 List of Major Shareholders

All Shareholders with a Stake of 5% or Greater, or the Names of the Top Ten Shareholders, the Number of Shares and Shareholding Percentage

April 9, 2023

Name of Major Shareholders	Shares	Shareholding (Shares)	Shareholding Percentage
Fubon Life Insurance Co., Ltd Representative: Ming-Hsiung Tsai		23,363,000	7.84%
Ming-Hsiung Tsai		0	0.00%
Capital Securities (HK) Ltd.		11,113,959	3.73%
Everise Investment Co., Ltd. Representative: Cheng-Wei Cheng		10,757,856	3.61%
Chunghwa Post Co., Ltd.		9,612,000	3.23%
Capital Securities Corporation in custody for Unicorn Securities Company Limited		9,528,228	3.20%
Cheng-Wei Cheng		6,119,553	2.05%
Cheng-Tsung Cheng		5,868,424	1.97%
Chih-Yu Cheng		5,394,151	1.81%
Deutsche Bank in custody for NT Asian Discovery Master Fund		5,300,000	1.78%
Sen-Mei Cheng		4,943,976	1.66%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Common Share and Other Relevant Information in the Past Two Years and Up to the Printing Date of the Annual Report

Year			2021	2022	As of April 25, 2023
Item					
Market Price Per Share	Highest Market Price		109.00	85.40	66.10 (Note5)
	Lowest Market Price		70.20	47.95	54.70(Note5)
	Average Market Price		86.34	65.01	60.11(Note5)
Net Worth Per Share	Before Distribution		36.11	39.55	Note 6
	After Distribution		32.61	37.05	Note 6
Earnings Per Share	Weighted Average Shares		297,963,902	297,963,902	297,963,902
	Earnings Per Share (NT\$ dollars)	Before Distribution	6.91	5.10	Note 6
		After Distribution	6.91	5.10	Not applicable
Dividends Per Share	Cash Dividends		3.5	2.5(Note4)	Not applicable.
	Stock Dividends	Earnings Distribution	0	0	Not applicable
		Capital Distribution	0	0	Not applicable
	Accumulated Undistributed Dividend		0	0	Not applicable.
Return on Investment	Price / Earnings Ratio (Note 1)		12.49	12.75	Not applicable
	Price / Dividend Ratio (Note 2)		24.67	26.00	Not applicable
	Cash Dividend Yield (Note 3)		4.05%	3.85%	Not applicable

Note 1: Price/Earnings Ratio = Average Market Price / Earnings per Share.

Note 2: Price/Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 3: Cash Dividend Yield = Cash Dividends per Share / Average Market Price.

Note 4: Approved at the Board of Directors meeting in accordance with the Articles of Incorporation of the Company.

Note 5: Information for the year ended April 25, 2023 when the annual report was published.

Note 6: As of the annual report publication date, there was no financial data on the latest quarter reviewed by the CPAs.

4.1.6 The Company's Dividend Policy and Implementation Status

1. Dividend Policy under the Articles of Incorporation

To coordinate with the integrated environment and maturity characteristics of industry and in consideration of future business expansion, capital demand and influences on Company and shareholders imposed by tax system, distribution of Company share interest will be adjusted and issued in accordance with the profit condition so as to maintain the steady growth of surplus profit of each share. The dividend distribution ratio shall not less than 25% of the balance after the Company's after-tax profit minus the following items, includes accumulated losses, provision of legal reserve and other deductions of undistributed profit of the year. The ratio of distributions of cash dividends shall not to be lower than 15% of the total amounts of dividends, and the remaining will issue stock dividends.

2. Proposed Dividends Distribution in the Current Year

The Board of Directors of the Company resolved on April 20, 2023 to appropriate a legal reserve of NT\$149,993,430 (the same currency hereinafter), reversal of special reserve of NT\$566,710,988, and cash bonus of NT\$744,909,755(cash dividend NT\$2.5 per share) to the shareholders from the unappropriated earnings as of the end of 2022.

4.1.7 The Impacts of Stock Dividends Issuance on Business Performance and Earnings per Share

Unit: NT\$ thousands, except cash dividend per share in New Taiwan Dollars

Item		Year	2023
Beginning Paid-in Capital			\$2,979,639
Dividend Distribution of the Year	Cash dividend per share (NT\$)		2.5
	Stock dividend from retained earnings, number per Share		0
	Stock dividend from capital surplus, number per Share		0
Changes of Business Performance	Profit from operations		Note 1
	Profit from operations % change over the same period last year		
	Net profit		
	Net profit % change over the same period last year		
	Earnings per share		
	Earnings per share % change over the same period last year		
	Annual average investment return (the reciprocal of the P/E ratio)		
Pro Forma Earnings Per Share and P/E Ratio	If stock dividend from retained earnings were transferred to cash dividends	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	
	If no stock dividend from capital surplus	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	
	If no stock dividend from capital surplus and stock dividend from retained earnings were transferred to cash dividends	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	

Note 1: The Company is not required to publish its 2023 financial forecasts; therefore, the 2023 forecast data is not available.

4.1.8 Employees' Compensation and Remuneration to Directors

1. The Percentages or Ranges with Respect to Employees' Compensation and Remuneration to Directors, as Set Forth in the Articles of Incorporation:

(1) According to Article 29 of the Articles of Incorporation are as follows:

The Company shall set aside no less than 1% of the profit of the fiscal year for Employees' compensation and may appropriate no higher than 2% of the same profit as Directors' remuneration. However, if the Company has accumulated losses, the Company shall reserve an amount to offset it.

The profit of the fiscal year described above shall mean the profit before income tax less Employees' compensation and Directors' remuneration.

The appropriation of Employees' compensation and Directors' remuneration are resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting.

Employees' compensation shall be distributed in the form of shares or in cash. Employees eligible for such compensation may include the employees of parents or subsidiaries of the Company meeting certain specific conditions. Such conditions authorize the board of directors to make such decisions.

- (2) The directors of the Company are entitled to receive an allowance for transportation on a monthly basis and according to the meeting attendance, which amount is determined by the Board of Directors. In addition, the shareholders or directors of the Company who act as managerial officers or employees are entitled to the salary as general employees of the Company.
- (3) The Company authorizes the Board of Directors to agree on the director's remuneration according to the general standards of the industry. The remuneration to directors for their services shall be paid regardless of the profit or loss of the Company.

2. The Basis for Estimating the Amount of Employees' Compensation and Remuneration to Directors, for Calculating the Number of Shares to be Distributed as Employees' Compensation, and the Accounting Treatment of the Discrepancy, if any, between the Actual Distributed Amount and the Estimated Figure, for the Current Period.

The amount of compensation to employees and remuneration to directors is based on past experience to properly estimate, and it is recognized as a current expense. If there is a material change in the amount of distribution resolved by the Board of Directors after the current period, such change should be adjusted to the current expenses. If the amount of change is insignificant by the standards, it can be treated as changes in accounting estimates and classified as profit or loss of the next year.

3. Information on Approval by the Board of Directors of Distribution of 2022 Compensation:

- (1) The distribution of compensation in cash to employees and remuneration in cash to directors is NT\$ 26,735,699 and NT\$ 17,233,552 respectively.

Unit: NT\$

Item	Board of Directors' Resolution	Estimates	Discrepancy	Difference	Handing Status
Employees' Compensation	\$ 26,735,699	\$ 26,440,845	\$ 294,854	It is adjusted according to the actual annual performance.	The amount of difference is adjusted to the statement of the first quarter of 2023.
Remuneration to Directors	17,233,552	17,043,493	190,059		

- (2) The amount of any employees' compensation distributed in stocks, and the size of that amount as a percentage of the sum of the net profit stated in the financial statements for the current period and total employees' compensation: Not applicable.

4. The Actual Distribution of Employee and Director Compensation for the Previous Year (Including the Number of Shares, Monetary Amount, and Stock Price, of the Shares Distributed), and, if There is Any Discrepancy between the Actual Distribution and the Recognized Employee, or Director Compensation, Additionally Disclosure the Discrepancy, Cause, and How It is Treated.

Unit: NT\$

Item	2021		Discrepancy	Difference	Handing Status
	Board of Directors' Resolution	Estimates			
Employees' Compensation	\$ 36,220,336	\$ 36,371,851	(\$ 151,515)	It is adjusted according to the actual annual performance.	The amount of difference is adjusted to the statement of the first quarter of 2022.
Remuneration to Directors	23,347,250	23,458,165	(110,915)		

4.1.9 Buyback of Common Stock : None.

4.2 Status of Corporate Bonds : None.

4.3 Status of Preferred Shares, Status of Global Depository Shares, Status of Employee Stock Option, Status of Employee Restricted Stock, Status of New Share Issuance in Connection with Mergers and Acquisitions : None

4.4 Implementation of the Company's Capital Allocation Plans : None.

V. Operational Highlights

5.1 Business Content

5.1.1 Business Scope

1. Business Item :

The main business items of the Company include the manufactures and sells of touch fasteners, webbing (shoelaces), elastic, easy tape, powder coating, jacquard digital woven fabric, jacquard engineered mesh, and various processing (such as 3C accessories, medical accessories, automotive and aerospace accessories combination processing) and other products, also, sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

2. Business Proportion

Unit: NT\$ thousands

<div>Year</div> <div>Product Category</div>	2022	
	Consolidated Net Sales	As % of Net Sales Ratio
Webbing (Shoelaces)	\$7,411,831	45.6
Touch Fastener	2,038,390	12.5
Elastic	1,952,787	12.0
Jacquard Engineered Mesh	1,668,532	10.3
Premises (Include Parking Spaces)	1,372,751	8.4
Easy Tape and Relative Products	1,165,024	7.2
Other (Note)	661,071	4.0
Total Net Sales	\$16,270,386	100.0

Note: Others include patterned woven fabrics and all sorts of finishing procedures.

3. Products Currently Offered by the Company

- (1) Webbing (shoelaces): The main products include general footwear and webbings for garments, shoelaces, and pull strings with various tips, reflective materials, and Jacquard fabric weaving functions, so the products are versatile, safe, and fashionable.
- (2) Touch fastener: The main features are that the hooks and the loops are woven with nylon raw material yarn, good weaving quality, tensile strength, and good product durability.
- (3) All kinds of knitted elastic, flat woven elastic, jacquard elastic, and multi directional textile with elasticity: The main features are the use of all kinds of natural rubber or artificial rubber threads that have long-lasting tension, excellent permeability, water resistance, low retraction rate, and deformation-free, etc.
- (4) Easy tape products: The main features are continuous extrusion molding, stable quality, good precision, fine hook pattern, complete hook collection, strong horizontal tension, durable joints, hook surface elasticity memory, long service life, and other characteristics coloring, computer printing or high-frequency press without sewing, and a variety of processing combinations to create added value.
- (5) Knitted jacquard mesh: Through various precision knitted jacquard room, more style changes are possible to fit customer designs with lightweight quality, various mesh patterns, breathable and comfortable feels, and high production volume. It's perfect for shoe uppers, apparel, home accessories bags, baby strollers and houseware.
- (6) Jacquard digital woven fabric: The high-end digital woven fabric can be tailored to customer design from yarns. It has a fine texture and is adaptable for various finishings such as waterproof, yellowing-resistance, and film-shielding, according to customer request. It can be used as external fabrics for footwear, boutique bags and apparels.
- (7) Various finishing services: These added services are provided to products are provided to product sold, including various material processing, such as printing, laminating, stitching, high-frequency, laser cutting, injection, press molding, assembly, etc., to reduce customer-end processes and meet their needs at all levels.

4. New Product Development Plan

In 2023, our development projects for new products include hook upper fabric, environmental shoelace and plain-woven fabric, eyelet knit webbing, hummingbird functional shoelaces, 3D double-layered knit webbing, loop-woven fabric label and hook webbing, and multi-color reflective lamination.

5.1.2 Industry Overview

1. Industry Current Status and Development

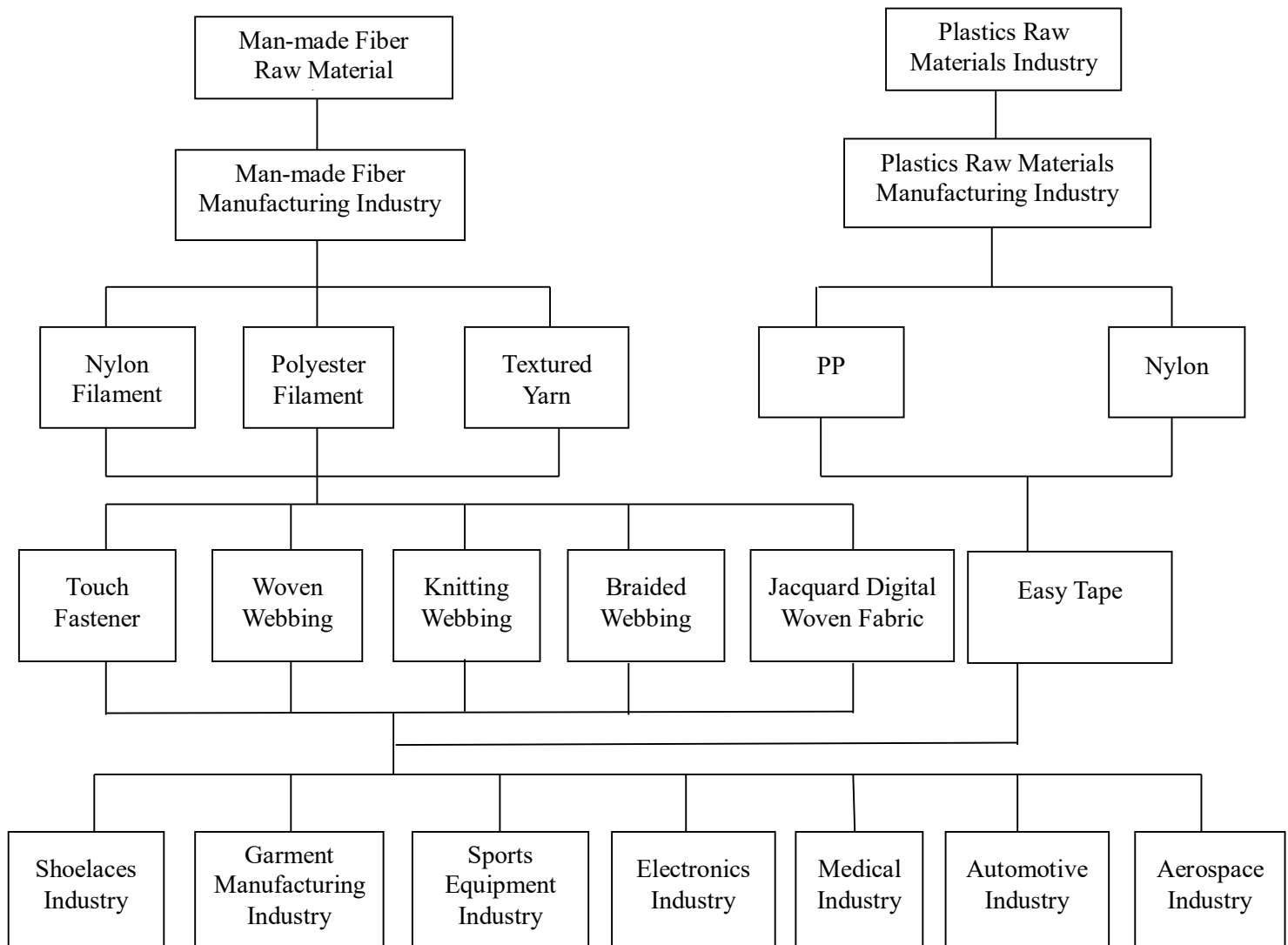
The Company's main products include upper materials, touch fastener, all kinds of webbing (shoelaces), easy tape, Jacquard elastic, and reflective materials. Its development trend is closely related to the trend of garments, footwear, and various health, leisure, and sports industries. In recent years, global fashion and sporting goods have been continuously updated. The development of the overall industry can be described as ever-changing. In addition to the basic requirements of product functions, it also follows the changes of the times, emphasizes fashion trends with popular products, and guides the concept of safety and environmental protection into this industry.

Owing to recent global inflation, the Russia–Ukraine War, the energy shortage, weakened consumption, and inventory adjustments by brand companies, new order placements from brand companies have become reserved.

In addition, Covid 19 infections have been up and down for the past three years, brands tended to intensify their marketing and promotion via ecommerce aiming directly at the consumers. This also brought about the compression of the product production cycle. For the factories, quick response and delivery will be a big challenge. In addition, the awareness of environmental protection in the world is awakening, and branding companies have made great efforts to respond to the plea of environmental protection, such as, environmental protection, recycling, energy conservation and waste reduction, and reduction of greenhouse gas emissions. Therefore, branding companies have also continuously enhanced environmental protection issues and set target requirements. In addition to focusing on non-toxic and harmless products, reduction of carbon emissions, water footprints, and carbon footprint certification, the use of environment-friendly materials is constantly innovated, such as, recycled pet yarns, marine recycled yarns, etc., and challenging the supply chain's innovation and reformation in equipment and process.

In recent years, with the increasing emphasis on health and leisure, the participation in sports-related activities has gradually increased, causing the market for sportswear products to gradually expand, so the market demand for sports footwear will continue to grow. The global textile consumer market has been developed with both functionality and environmental protection emphasized, so the combination of both functionality and environmental protection is the future of the textile industry.

2. Relevance of Up-, Middle- and Downstream of the Industry Supply Chain



3. Product development trends and competition

(1) Development trends of products

In addition to the continuous improvement of health, leisure, and functionality, branding companies have also gradually attached importance to environmental protection. The RSL, EU REACH, and ROHS regulations, including brand ZDHC regulations, require products to be made without containing hazardous substances, chemicals, and heavy metals.

(2) Competition

At present, in horizontal competition, although the relevant competitors are numerous, because the belt buckle products and processes of the competitors are incomplete and most of them have one single product available for competition; also, their product quality is inferior; therefore, they lack the capability to cooperate with major brand customers. All the processes of the company are comprehensive and the product items are diversified. Various types of post-processing has been recognized by the industry with the competitiveness enhanced. The Company has established R&D, production, and sales bases in Taiwan, China Wuxi, China Dongguan, Vietnam, and Indonesia. A service base in Portland, USA is also set up to make direct contact with the headquarters of many international brands. It is beyond the reach of the peers in this industry. Therefore, the Company has an excellent advantage in competition.

5.1.3 Technology and Research and Development Overview

1. Research and Development (R&D) Expenses in the Recent Year

The ratio of the R&D expenses over the net sales of the Company in the recent year and up to March 31, 2023 is as follows:

Unit: NT\$ thousands

Item \ Year	2022	As of March 31, 2023
Consolidated R&D Expenses	\$ 543,759	Note
Consolidated Net Sales	16,270,386	Note
Ratio of R&D Expenses to Net Sales	3.3%	-

Note: As of the annual report publication date, there was no financial data on the latest quarter reviewed by the CPAs.

2. Technologies or Products Developed in the Recent Year

The environmental products created recently include eco-friendly series of FSC certified cords and plain-woven fabric from paper fiber, flash-golden colored and tortoise buttoned hook fabric, flash elastic woven fabric, digital direct-spray multi-color reflective lamination, one-piece loop-woven fabric label, etc.

3. Future R&D Expenses

The Company continues to develop new products and to expand new applications with a focus on all kinds of webbing (shoelaces), easy tape and reflective products, touch fastener, elastic, and other accessories, as well as multi directional textile with elasticity, jacquard digital woven fabric and jacquard engineered mesh, and other main products. It is estimated that the annual R&D expense ratio will account for about 3%-4% of net sales.

5.1.4 Long-Term and Short-Term Business Development Plans

1. Short-Term Business Development Plans

- (1) In response to the southward movement of the industry, continue to expand production capacity in Vietnam and Indonesia and strengthen the deployment of local R&D, sales and plant personnel.
- (2) The Company has strengthened the close interaction of domestic brands in China, maintained the breadth of development in various industries and increased the flexibility of each industry.
- (3) Expand our customer base, actively innovate, research, and develop. Issue new product catalogues at least two times every year; also, actively invite material suppliers and traders to give briefings on materials and participate in global conferences to promote new products, improve international visibility, and create higher sales performance.
- (4) Strengthen the promotion of easy tape, such as, the popularization of footwear and garments; also, strengthen the development in the market for disposable products and electronic pipeline products in the automotive industry, disposable paper diapers and medical protective gear, surgical gowns, and expand to the application of military supplies.
- (5) Expand the production capacity and sales strategy planning of jacquard digital woven fabric, jacquard engineered mesh and 4-way stretchable elastic-knitted uppers.
- (6) In response to the demand of global branding companies and suppliers for shorter delivery schedules, the production line and equipment technology are moving towards automation planning, reducing manpower, improving efficiency, and optimizing processes.

2. Long-term business development plans

- (1) Based on the objective of “Strengthening Customer Satisfaction” and the concept of serving customers in the vicinity, we will strengthen links and service with domestic and offshore brand customers.
- (2) Assess the overall market demand and the capacity adjustment status of the customers, establish overseas locations or adjust the production capacity and product structure of each base in a timely manner, and strengthen the competitiveness of the internationally.
- (3) The Company is active and attaches importance to the concern of environmental protection, functionality, and technologies in researching and developing various products, expanding the customer base from other industries, and enhancing the competitive advantage of the Company’s products.
- (4) Improved the production equipment and various processing and post-processing facilities for various products. The local one-step production process of each product has been carried out to fully enhance the competitiveness and market share.

5.2 Market and Production/Sales Overview

5.2.1 Market Analysis

1. Sales Region of Main Products

Unit: NT\$ thousands

Area \ Year	2021		2022	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	\$ 1,802,868	9.9	\$ 1,561,358	9.6
China	8,206,246	44.9	5,179,384	31.8
Asia	7,459,743	40.8	8,586,894	52.8
Americas	467,610	2.5	703,796	4.3
Others	351,319	1.9	238,954	1.5
Total	\$ 18,287,786	100.0	\$ 16,270,386	100.0

2. Market share

- (1) Since the establishment in 1979, our product lines have never stopped expanding. Our customers come for all sorts of daily necessities, like footwear, garments, raincoats, bags, hats, fitness and medical machinery, stationery, toys, furniture accessory, 3C peripherals, automobiles, aerospace industry, diapers and military sector. After years of experience, we have built a concrete foundation that is stronger and more competitive than the peers.
- (2) Our diverse and wide product application has furnished a unique edge in the sector. Estimated through our customers' procurement mix, our touch fastener, webbings (shoelaces), elastic, easy tape, non-slip materials, inject buckle, and footwear surface fabric surface have occupied a significant share in the market. Products other than the abovementioned also take a leading share from major brands' procurement.

3. Market Future Supply and Demand Status and Growth

- (1) Due to the growing industry and commerce, the progress over time, the development of the Internet, and the consumption pattern tending to be lively and diverse, in all sports and leisure, human beings are increasingly demanding various activities, including various ball sports, mountain climbing, jogging, power walking, cycling, and rafting that all require them to wear professional outfits. Due to the different consumption patterns, product differentiation is becoming more obvious. Therefore, shoes and clothes with various functions have become a fashionable habit, plus the trend of relaxed business wear, so the market demand remains optimistic.
- (2) Taiwan's textile industry production strategy has gradually shifted to non-price competition. At present, the textile industry is actively engaging in heterogeneous integration; also, the future development goals of textile products are emphasis on the qualities of innovation, uniqueness, refinement, and design.

4. Competitive Niche

The Company has been operating in the industry for nearly 40 years. Under the administration of the management, it has become a major manufacturer for functional fabrics and accessories domestically and internationally. In addition, it has engaged in the production and sales of textile fabrics in the last three years that helps increase interaction and partnership with brand customers.

- (1) Continuous innovation and research and development, master the market trends.

To understand our customer needs better, we pay close attention to fashion trends and offer new-patented products every year. We have a total of 291 patents with many more on the way, and continues to develop and improve production processes. It has been recognized and loved by the market in different periods and

related fields. The Company's competitiveness is relatively better and the strong R&D capability has become the main driving force for the growth of the Company.

(2) Continue to invest and establish a one-step workflow.

The Company adopts the world's most advanced looms and has the ability to develop machines by itself or with a manufacturer, it has a high degree of automation. In addition to the investment in machinery equipment, in terms of process improvement, the Company has established a one-step process from weaving to dyeing and finishing that helps save labor costs, increases productivity and efficiency, and ensures high quality and stability of the products.

(3) Transforming from OEM to ODM, staying close to customers and suppliers.

Due to good cooperation with upstream suppliers, the Company has stable raw material quality and enjoys the cost advantage of volume discounts. In addition, due to good cooperation and close cooperation with subcontractors, and through the strict requirements of the Quality Control Department, the product quality of the subcontractors can be greatly enhanced. When receiving a big order, by fully grasping the raw materials and processes, the Company is able to move from the labor-intensive OEM business to ODM that not only has self-production but also has various in-house products designs.

(4) Diversified products and a wide range of applications to meet the needs of customers.

The Company has diverse product lines, which covers wide applications including shoes, garments, stationery, toys, sports equipment, medical devices, automotives, bags, airplanes, bicycles, hair and beauty, diapers, bra straps, remodeling material, 3C accessories, military market, and DIY goods etc. The Company has dedicated sales and developing personnel available in all business locations to satisfy one-stop service need from local customers.

(5) Global deployment and international division of labor to exercise the overall synergy of the Group.

Due to the high cost of land and labor in the country, the downstream footwear industry and garment industry have successively set up production bases in Mainland China and Southeast Asia. To maintain cooperation with the existing customers, the Company continuously has had R&D, production, and sales bases set up in Guangdong and Jiangsu of China, Ho Chi Minh City and Pingyang of Vietnam, Indonesia, and North America to serve local customers, fully satisfy customers' demand and delivery time, and significantly reduce production costs and master the business opportunities in Mainland China, Southeast Asia, and North America.

- (6) Expand investment in textile fabrics and move from the production and sales of belt buckles to accessories fabrics.

The Company has continuously invested in high-end production facilities for woven mesh and jacquard mesh production and concentrates on surface material designs and developments in recent years to work together with local service networks throughout the group for more sales opportunities.

- (7) Good product quality and well recognized by well-known brands.

In order to meet the quality standards required by internationally renowned brand customers, the Company is committed to the improvement of the Company's overall quality control process, in addition to fully controlling the R&D and manufacturing of the products, and has obtained various certifications. Therefore, in terms of product quality or delivery time, the Group can meet the requirements of internationally renowned brands and establish long-term good cooperative relations with branding companies.

- (8) Step by step improved digitalization marketing

E-Commerce and digitalized marketing have become the mainstream since the pandemic breakout. To catch up with the trend the building of online data banks for materials carried, digitalized catalogs with 3D demonstration and digitalized marketing platform is on track. Upon completion, we will be able to synchronize more seamlessly with our brand customers for better competitiveness.

5. Favorable and Unfavorable Factors for the Development Outlook and Countermeasures

(1) Favorable factors

- ① Complete industrial system and sufficient supply of raw materials.

Taiwan's chemical fiber industry is fully developed. Polyester yarn and nylon yarn manufacturers are expanding their production capacity gradually. The productivity is high and the quality is excellent; also, the supply of raw materials is sufficient. The upstream and downstream systems are complete and the technical level is excellent. These advantages are beyond the reach of developing countries in the short run.

- ② Wide range of applications for webbing and related products.

Webbing, labels, fasteners, etc. are mostly related products going through multiple-step processing, which are widely used in the composition of shoes, clothing, sports, sanitary equipment, packaging, bag sets, etc. With the additional demand of consumers for these products, product functions, in addition to increasing convenience and usability, must be combined with fashion and aesthetics for broader applications.

- ③ Price is no longer the one and only consideration of manufacturers when purchasing materials.

The concept of consumption is constantly changing. For original and novel products, consumers are willing to buy at a higher price. Under these circumstances, the price of the materials for shoes, garments, sports goods, medical equipment, and bag sets is no longer the only consideration to manufacturers. Instead, the product quality, the color fastness of dyeing, the durability, and other factors crucial to the product quality, as well as the on-time delivery and stable supply are all very important factors for manufacturers to consider when placing orders.

- ④ Consumers pay more attention to leisure activities.

With the higher income received by people in developing countries and emerging countries; also, the increasing frequency and scale of international sports events, consumers are increasingly attracted to leisure activities and various types of sports on weekends and holidays; therefore, the demand for related sports and leisure products is growing gradually, which in turn drives the potential demand for webbings and related products.

- ⑤ Product diversification and customer satisfaction.

The Company adopts advanced production equipment to establish a one-step and high-efficiency process in production operations. In addition to saving labor, it can ensure the quality and delivery of products. The Company has a variety of products and styles in webbing products. In addition to fully meeting the needs of customers for small quantity and wide variety, the Company continues to develop various innovative patterns and functions to guide and induce new demands from customers.

(2) Unfavorable factors and countermeasures

Unfavorable factors	Countermeasures
① Due to the salary increase in nations where the production bases are, employees are no longer enthusiastic about labor-oriented work and the employment of manufacturers is insufficient and the wages are rising, resulting in an increase in labor costs and production costs.	<p>A. Accelerate the introduction of high-speed and automated equipment in order to pursue the rationalization and refinement of human resource utilization, work towards capital-intensive and technology-intensive production methods to increase productivity and the added value of products; also, reduce the operating pressure arising from the rising labor costs.</p> <p>B. Improve working conditions, strengthen various employee welfare measures, and establish a good corporate culture to condense the employees' loyalty and reduce the turnover rate. At the same time, strengthen on-job training and personnel training, and promote employees' skillful operation and technology perfection in order to help them exercise their potential and improve the quality of operations.</p>
② Through the increasing awareness of environmental issues in the recent years, the associated regulations are becoming more stringent.	<p>A. Comprehensively improve pollution prevention equipment and strengthen wastewater recycling and reuse in response to increasingly stringent environmental standards.</p> <p>B. Continue to develop new products and develop diversified and high value-added products to enhance competitiveness.</p> <p>C. To resonate with the concept of a sustainable earth, the Company has invested in a solar power facility, adopted green materials, makes regenerated energy from textile scrap, recycles and reuses waste substances and keeps pushing carbon reduction to allow the Company's sustainable operation.</p>
③ There are many small and medium-sized factories in the market to compete so the competition is ferocious.	<p>A. Strengthen internal production management operations, reduce various costs, improve product quality and stability, and differentiate from small and medium-sized factories with good quality and corporate image.</p> <p>B. Actively expand the comprehensive sales network to provide customers with better services.</p> <p>C. Enhance customers' understanding of product quality and characteristics through a plant tour and attending exhibitions, establish market recognition of the Company's products, and enhance the Company's competitiveness in international markets.</p>

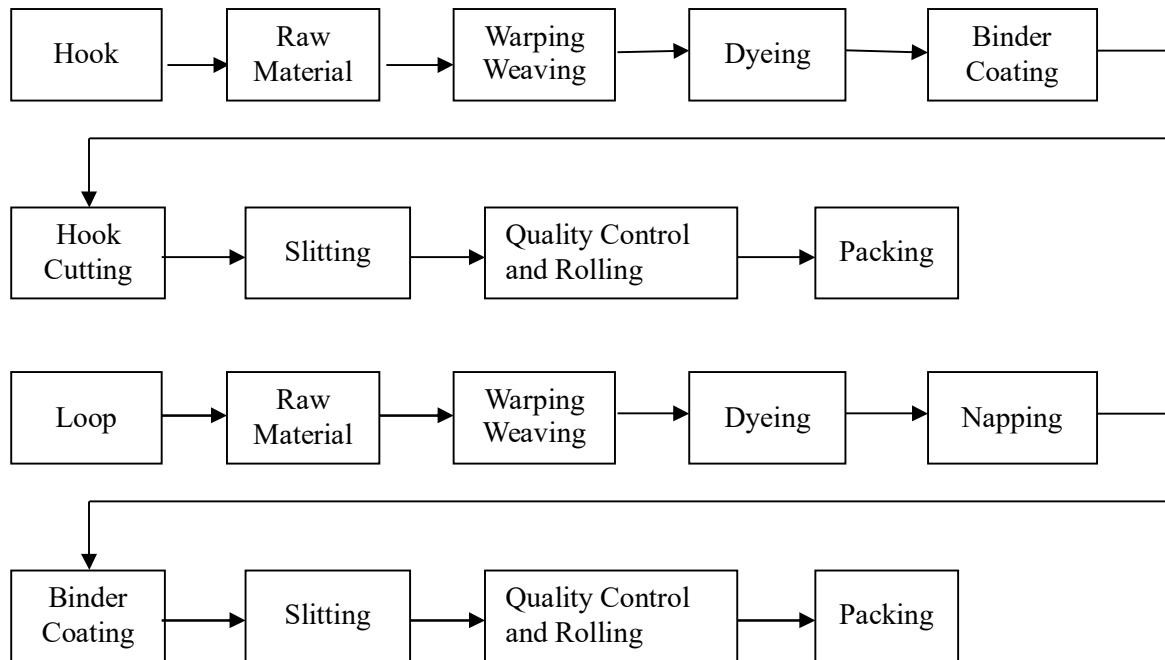
5.2.2 Major Applications and Manufacturing Process of Major Products

1. Major Applications of Major Products

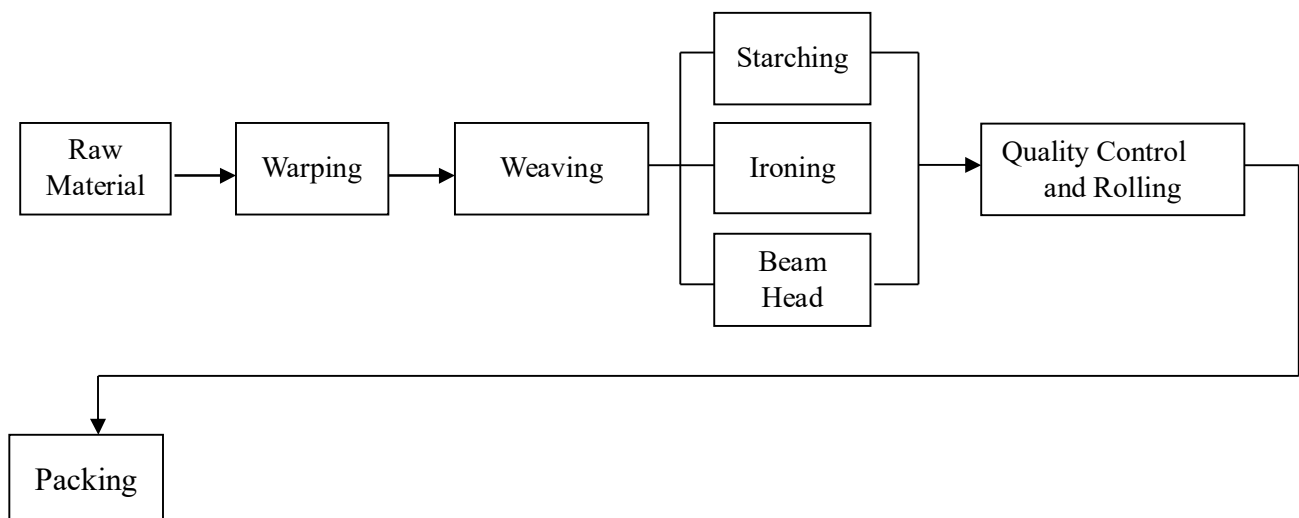
Products	Major Application
Touch Fastener	Accessories of shoes, garments, raincoats, caps, sports equipment, leather goods, and medical equipment.
Webbing (Shoelaces)	Shoe and garment vamp hem, belt eyelet, back straps of leather goods and sports bags, and accessories of hats.
Elastic (Include Multi Directional Textile with Elasticity)	Pants straps, jacket hems, cuffs, and accessories of those that require elastics. The multi directional textile with elasticity is comfortable with excellent permeability, lightweight, and suitable for all kinds of sports shoes and casual shoe vamp fabrics.
Easy Tape	Paper diapers, medical equipment, computer pipelines, outdoor sporting goods, car seats and interiors, aircraft seats and interiors, and other accessories that require repeated adhesion.
Jacquard Digital Woven Fabric and Jacquard Engineered Mesh and Other Fabrics.	It can be applied to surface on footwear, garment, boutique suitcase and bags and home decor with the features of energy saving, comfortable and breathable.

2. Manufacturing Process of Major Products

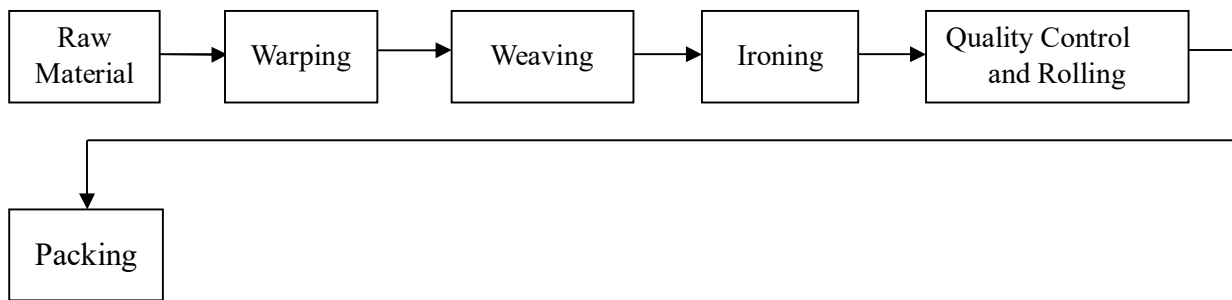
(1) Manufacturing flowchart of touch fastener



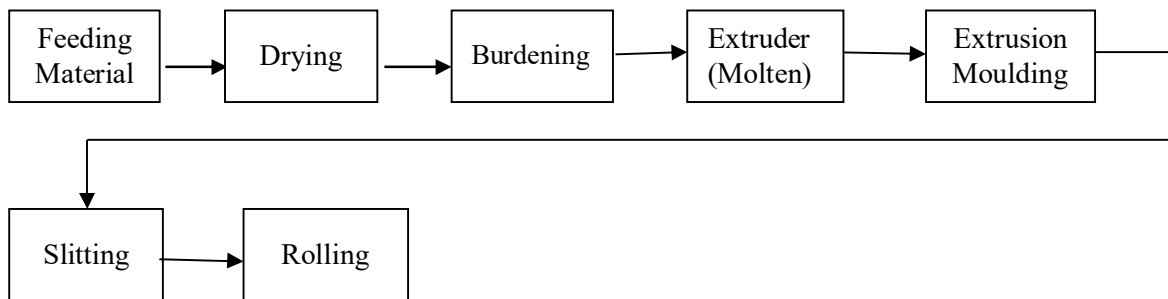
(2) Manufacturing flowchart of webbings (shoelace)



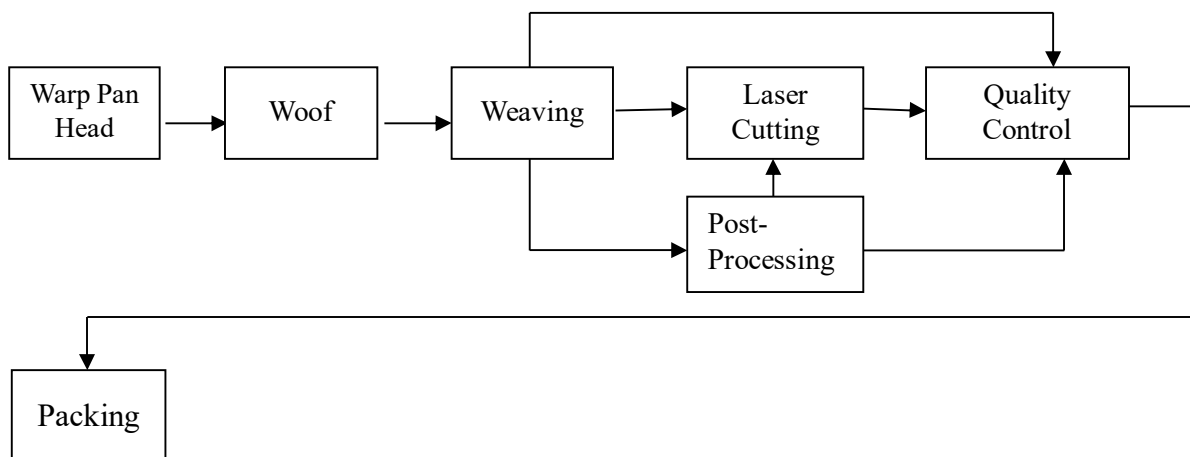
(3) Manufacturing flowchart of elastic



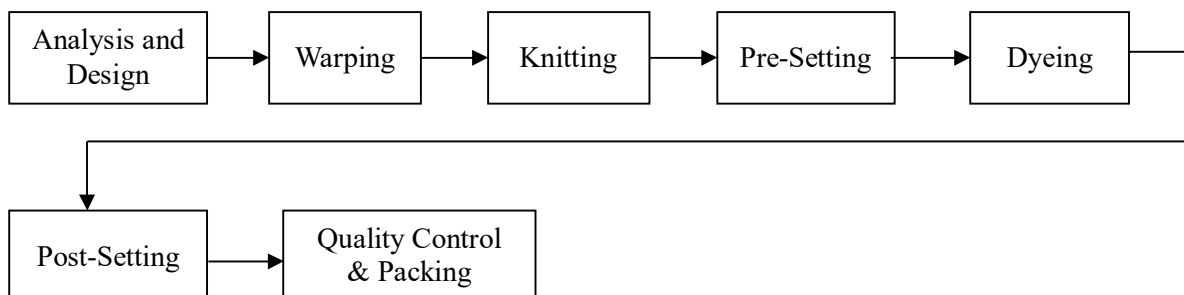
(4) Manufacturing flowchart of easy tape



(5) Manufacturing flowchart of jacquard digital woven fabric



(6) Manufacturing flowchart of jacquard engineered mesh



5.2.3 Supply Situation of Major Raw Materials

The Company and its suppliers have maintained a relationship with stable growth and good close cooperation for a long time, and the demand for product development and supply source are quite abundant.

Major Raw Materials	Source of Supply	Supply Situation
Nylon Monofilament Yarn	ToliteX (GuangZhou), Ri-Thai, RTI Vietnam Co., Ltd. and Toray International Vietnam Company Limited.	Stable
Nylon Filament Yarn	Formosa Chemicals, Chuen Yee, Zig Sheng, Formosa Industries, Foshan Xinlitong, Yü Shing and Herng Fa.	Stable
Vucanized Rubber Thread	New Top Power, Rubberflex Sdn. Bhd (Malaysia), H.V. Fila Co., Ltd (Thailand), and Dongguan Yiu Chun.	Stable
Polyester Yarn	Jvan An, Lih Shyang, Tohitomo, Golden Light, Jendeh, kvan chi, Xiamen Xianglu, Rongsheng Petro, Su Zhou Yu Nian shui, Shen Liang Cherng, Herng Fa, Formosa Industries, Oia Global Logistics-Scm, Inc. (America) 、Century Synthetic Fiber, Toray International Vietnam Company Limited, Fujian Cyclone, Hualon (Vietnam), Far Eastern (Vietnam), ShinKong, Sammy and PT Polyfin.	Stable
Plastic Particle	Jfa, and Renail.	Stable

5.2.4 List of Suppliers (Customers) that Have Accounted for At Least 10% of Procurement (Sales) in One of the Past Two Years

1. List of Suppliers that Have Accounted for At Least 10% of Procurement in One of the Past Two Years, the Amounts and Percentages of the Procurement: None.
2. List of Customers that Have Accounted for At Least 10% of Sales in One of the Past Two Years, the Amounts and Percentages of the Sale: None.

5.2.5 Consolidated Production Volume and Production Value in the Past Two Years

Unit of Value: NT\$ thousands

Product (Note 1)	Year Unit (Note 2)	2021			2022		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Webbing(Shoelaces)	Thousand Inch Yarns / Meter and Metric Ton	777,577	590,550	\$ 4,305,108	851,940	567,794	\$ 4,475,486
Touch Fastener	Thousand Inch Yarns / Pc	684,511	493,383	1,588,712	711,768	479,992	1,542,625
Elastic	Thousand Inch Yarns / Meter	788,220	561,691	1,364,026	808,967	404,866	1,242,663
Easy Tape and Relative Production	Thousand Inch Yarns	825,918	719,366	1,115,580	825,918	478,498	994,244
Jacquard Engineered Mesh	Metric Ton	8,029	2,929	968,616	8,201	3,910	1,216,042
Premises	Number of Household	0	167	2,421,202	0	157	2,701,063
Parking spaces	Space	0	426	289,786	0	172	277,233
Other	Note 2	Note 2	Note 2	456,636	Note 2	Note 2	312,625
Total	Note 2	Note 2	Note 2	\$ 12,509,666	Note 2	Note 2	\$ 12,761,981

Note 1: Product output refers to the quantity of production, including outsourced production.

Note 2: The webbing products have been uniformly converted into the standard width measurement (inches), and the other products cannot be added up due to the different units of measurement.

Note 3: The production capacity for each product is estimated according to the standard working hours estimated for the year.

Reasons for the Changes:

Due to the pandemic infection in 2022, end demands declined and affected the Company's shipments, as well as total production volume and value. The real estate gradually completed building and selling in 2022 and prior years. There will not be new real estate projects.

5.2.6 Consolidated Sales Quantity and Sales Amount in the Past Two Years

Unit of Value: NT\$ thousands

<div> <div>Year</div> <div>Product</div> </div>	Unit (Note 1)	2021				2022			
		Domestic		Export		Domestic		Export	
		Sales Quantity	Sales Amount	Sales Quantity	Sales Amount	Sales Quantity	Sales Amount	Sales Quantity	Sales Amount
Webbing (Shoelaces)	Thousand Inch Yarns/ Meter	57,867	\$ 835,169	576,025	\$ 6,163,527	55,794	\$ 813,746	600,989	\$ 6,598,085
Touch Fastener	Thousand Inch Yarns / Pc	19,853	143,466	440,206	2,162,469	18,725	123,710	369,252	1,914,680
Elastic	Thousand Inch Yarns / Meter	88,892	221,250	418,508	1,876,487	64,672	166,071	348,992	1,786,716
Easy Tape and Relative Production	Thousand Inch Yarns	19,904	144,624	697,709	1,258,905	13,465	113,933	474,526	1,051,091
Jacquard Engineered Mesh	Metric Ton	0	0	2,698	1,134,069	0	0	3,613	1,668,532
Premises	Number of Household	0	0	154	3,460,107	0	0	48	1,279,690
Parking spaces	Space	0	0	2	3,983	0	0	60	93,061
Other	Note 1	Note 1	458,359	Note 1	425,371	Note 1	343,898	Note 1	317,173
Total	Note 1	Note 1	\$1,802,868	Note 1	\$16,484,918	Note 1	\$1,561,358	Note 1	\$14,709,028

Note 1: The webbing products have been uniformly converted into the standard width measurement (inches), and the other products cannot be added up due to the different units of measurement.

Reasons for the Changes:

Due to the pandemic infection and downturn in the market, end demands declined and affected the Company's shipments in 2022, as well as the production volume and value for traditional accessory business. On the other hand, jacquard engineered mesh was less impacted by the pandemic mandate in China and continued its growth in production volume and value as the product line has been moved to Vietnam. The revenue difference was due to decreases in new construction projects and the time difference from ownership transfer.

5.3 Employees

The number of employees employed in the past two years and up to the annual report publication date, their average years of service, average age, and education levels.

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Labor	5,908	6,303	6,162
	Indirect Labor	3,325	3,350	3,323
	Total	9,233	9,653	9,485
Average Age		32	32	32
Average Years of Service		6	6	6
Education	Ph.D.	0.0%	0.0%	0.0%
	Master's	0.6%	0.6%	0.5%
	University & College	19.4%	19.6%	19.7%
	High School	50.4%	51.4%	51.8%
	Below High School	29.6%	28.4%	28.0%

5.4 Expenditure for Environmental Protection

5.4.1 Total Losses (Including Damage Awards etc.) and Fines for Environmental Protection in the Recent Year and Up to the Annual Report Publication:

Unit : NT\$

Year		2022	As of April 25, 2023
Item			
Amount of Compensation or Punishment Status		None	75,000
Other Losses		None	None

The Punishment Status are as follows:

DateDisciplinary date: February 18, 2023.

Disciplinary doc. No.: Fu-Shou-Huan-Shui-Zi No. 1120056069.

Violation of law and regulations: Violation of Paragraph 1 under Article 14 of the Water Pollution Prevention Act.

Violation of provisions: Wastewater generated from the dyeing processes in Dye House flowed to RD02 Ditch, which deviated from the required separate collection of rain and waste as dictated in the water management permit granted by the regulating

authority.

Disciplinary action: A fine for NT\$75,000.

5.4.2 Possible Cost and Countermeasures at Present and in the Future:

We have applied for a change of the emission permit, which has been approved by the Changhua County Government.

5.5 Labor Management Relationship

5.5.1 Employee Welfare Measures, Advanced Study, Training, Retirement System, and Its Implementation, as well as Labor-Management Agreements, Working Environment, and Employee Personal Safety Protection Measures, and Various Employee Rights Maintenance Measures.

1. Measures:

The Company handles employee safety and health insurance, social insurance, and other matters in accordance with the labor law and regulations in each operating area to protect the basic rights and interests of employees. The year-end bonus is paid depending on the annual performance evaluation result of each employee. The Company appreciates the hard work and contribution of each employee. The Company also has an Employee Welfare Committee set up to handle employee health checkups, festivals, birthdays, weddings and funerals, births, injuries, illnesses, disasters, and other benefits and subsidies.

2. Employee Education and Training

In order to help our employees understand the Company's related rules and regulations and improve professional ability, the Company provides on-job training for employees and annual education training plans. There are five types of training programs in the Company:

- (1) New employee training: The Company rules and policies include ethics and integrity principles, information safety management, quality management system, sustainability and energy management, human rights and labor health, safety and health, etc., as well as special training from each employing department.
- (2) On-job training for current employees: All departments shall formulate annual education and training plans according to the Company's business plan, and implement internal and external education and training.
- (3) Environmental safety and health education and training: Include environment protection, occupational safety and health, and emergency response firefighting related exercises.

(4)ISO management system training : Training courses were provided for each ISO management system.

(5)General education: As well as the training above, advocacy and training sessions for management functions, policy and rules, language learning, and brand and market were offered from time to time.

2022 training types offered by the Company and their execution are listed in the table below:

Item	Number of Courses	Training Hours	Total Number of Trainees
New employee training	2	573.5	77
On-job training for current employees	25	376.0	77
Environmental safety and health education and training	27	2,720.5	2,698
ISO management system training	22	1,619.0	463
General education training	24	998.5	378
Total	100	6,287.5	3,693

3. Employee Retirement System and Implementation:

The Company applies the pension system of the “Labor Pensions Act,” which is a government-administered defined contribution retirement plan with an amount equivalent to a certain percentage of the employee’s salary appropriated and deposited in the personal account with the Bureau of Labor Insurance. For employees who choose to continue to apply the “Labor Standards Act,” the Company will deposit pension funds in the name of the “Employee Pension Reserves Committee” in the Pension Reserve account at the Bank of Taiwan.

Employees of the Company’s subsidiaries in Mainland China and Vietnam are members of the retirement benefit scheme operated by the local government. Each subsidiary appropriates a specific ratio of salary to the retirement benefit plan.

Employees of the Company’s subsidiaries in Indonesia adopt a defined contribution retirement plan with the pension reserve calculated actuarially in accordance with local labor laws.

4. Labor-Management Agreement and Various Employee Benefit Protection Measures

The Company regularly holds labor-management meetings according to the law. It set up the “Employee Opinion Mailbox” and provides employee with grievance channels. A harmonious labor-management relationship is held since the incorporation of the Company. Each subsidiary has signed labor contracts with employees in accordance with the local labor laws and regulations to protect employees’ legal rights and create a harmonious labor relationship. A harmonious labor-management relationship is held since the incorporation of the Company; therefore, there has been no labor dispute to be coordinated and resolved so far.

5. Working Environment and Employee Safety Protection Measures:

- (1) A dedicated working unit for occupation safety and health has been set up by the Company to look after the related operation based on the “Occupational Safety and Health Act”, responsible for implementing matters regarding occupational safety and health. The Company and its subsidiaries (covering Taiwan, Vietnam, Indonesia and China) have obtained the certification for ISO 45001, the management systems for occupational health and safety. Validity period of the Company’s certification: November 18, 2022 to November 18, 2025.
- (2) According to “Procedures for Hazard Identification and Risk Assessment,” causes and consequences are confirmed and identified that may occur in each plant area with possible protection facilities for risk assessment and solution planning.
- (3) According to “Circular Inspection Operation Management,” the “circular inspection program” was conducted every month to track flaws and improve progress regularly. Every year, the Company commissions qualified testing agents to conduct the related testing (including noise, chemicals, illumination, carbon dioxide), followed by testing results published inside the plants to allow understanding from the workers therein, and properly use personal protective equipment (PPE) provided.
- (4) According to the “annual automatic inspection plan,” carry out regular checks, focus checks and operation inspections of various machinery and equipment, to ensure safety and health for all employees.
- (5) The Company has established “emergency response plan,” related drills are held every year, such that in case of occurrence of accident, to adopt timely and effective measures in order to control the accident and to reduce loss. A total of two drills with 638 participants for emergency respond were carried out in 2022.
- (6) All construction contractors, before construction, have to sign “Contractor Letter of Commitment for Safety, Health and Environment Protection” according to “Contractor Management Procedures”, and encourage the prevention of possible hazards and related complications, as well as protecting the safety and health of all working members inside the plants.

- (7) The Company enacts the manufacturer's incoming and dispatching requirements and access control security management. The guards issue temporary visitor passes or name cards to all visitors and suppliers. The respondents shall accompany the visitors the whole time until departure to ensure the safety of employees.
- (8) To counteract the Covid-19 pandemic, at each entrance and exit, there are infrared, automatic temperature-measuring machines and automatic hand-wash spraying equipment available. In addition, plenty of self-made hypochlorous acid and disinfectant, approved by U.S. FDA, are provided to office staff to conduct environment cleaning and disinfection. For dining safety, the cafeteria was equipped with stainless steel partitions, meal times were separated among employees, and lunch boxes were given to self-managed staff in individual space to ensure all staff could enjoy delicious meals without worries.
- (9) Regular and special hazard checkups are available for employees who have been employed by the Company for one year or longer, has a medical room and on-site medical medical professionals, offer timely medical service or counselling to employees. We have held various health events, including health seminars, weight-loss competitions, hiking, and blood donations, as well as executing the four labor health protection plans, including prevention of diseases caused by abnormal workload, maternity health protection, prevention for ergonomic hazards, and prevention of unlawful infringement at work.

5.5.2 The Loss Due to Labor-Management Disputes, Current, and Possible Future Loss Estimated Amount and Countermeasure in the Recent Year and Up to the Annual Report Publication Date.

Disciplinary date: April 20, 2023.

Disciplinary doc. No.: Gov.Labor.Tzi No. 1120140490

Violation of law and regulations: Violated the provisions of Article 24, Paragraph 1 of the Labor Standards Law.

Violation of provisions: The Bureau of Labor carried out a labor inspection on March 14, 2023, since the calculation of wages for extension of working hours did not comply with the regulations, resulting wages paid insufficient.

Disciplinary action: A fine for NT\$50,000.

Countermeasure: To strengthen adjustment of personnel assignment between different department and overtime management implementation, full information collection, and implement the calculation of wages for extension of working hours.

5.5.3 Employee Code of Conduct or Ethics

The Company has formulated the "Codes of Ethical Conduct" as a guideline for directors, managerial officers, and employees.

5.6 Cyber Security Management

5.6.1 Describe the Cyber Security Risk Management Framework, Cyber Security Policies, Specific Management Programs and Invested in Resources for Cyber Security Management:

1. Cyber security risk management framework

A dedicated and independent data security team is in charge of planning and carrying out the data security policy of the Company, including advocating related concepts to increase employee awareness, conducting regular management strategies and assembling necessary information and technology to improve the efficacy of data security operations in the Company. The audit office will conduct an annual check, based on the Internal Control System--Data Management Cycle, to evaluate the efficacy of the information operations of the Company.

2. Cyber security policies

To implement data management, an internal control system for data cycle - electronic data processing and control has been created to reinforce compliance from the employees. The data security policy points of the Company include:

- (1) Ensure confidentiality and integrity of information assets.
- (2) Ensure data is accessed in accordance with the functionality of each department with a clear set of authorization.
- (3) Ensure information system operates without interruption.
- (4) Prevent unauthorized changes or access to the data or system.
- (5) Conduct periodical audit work on information security to assure the implementation of data security.

3. Specific management programs

(1) Online information security control

- ① Firewall setup.
- ② Access to Internet connection is only allowed through application and with an assignment of fixed MAC address.
- ③ Access to Wi-Fi facility is only through account and password verification.

(2) Data access control and management

- ① Access to the computer server room is monitored. All accessing codes and passwords are safeguarded by dedicated personnel.
- ② Authorized access is differentiated according to job assignment and duty.
- ③ Authorized access will be cancelled in the case of job reassignment.
- ④ Sensitive data and patented software will be removed or re-written before a facility is obsoleted.
- ⑤ Remote login to information system is only allowed after authorization.

(3) Response and recovery mechanism

- ① Conduct periodical review on emergency response plan.
- ② Conduct annual regular drills on system recovery.
- ③ Establish backup system, including implementation of remote backup.
- ④ Conduct regular review on control measurements of computer and internet safety.

(4) Advocacy and review

- ① Advocate related information to enhance employee awareness of cyber security in a timely fashion.
- ② Conduct ad-hoc check on data cyber security implementation.

4. Invested in resources for cyber security management

We continued to invest in hard and software resources in 2022. Other than firewall upgrades for safer SSL VPN network connections, additional purchases were made of remote backup storage media with Veeam software, L2 network switches, and wireless access points to ensure a sound environment for information communication. Moreover, the IT Department was expanded again in 2022 to 10 members to strengthen the operation.

5.6.2 The Losses Suffered by the Company Due to Major cyber Security Incidents in the Recent Year and Up to the Annual Report Publication the Possible Impact, and the Countermeasures Being Taken:

- 1. There were no significant cyber security incidents causing business damages.
- 2. Continue to fulfill the goals under the cyber security policy with regular drills on recovery plans to safeguard material systems and data for the Company.

5.7 Important Contracts

Agreement Type	Counter Party	Term	Summary	Restrictive Clauses
Long-term secured borrowings	The Bank of Taiwan and other collaborative banks	From April 2019 to August 2026	Reimbursement of bank loan, and to strengthen operating working capital.	Note 1
Long-term credit borrowings	The Bank of Taiwan and other collaborative banks	From December 2020 to January 2027	Reimbursement of bank loan, support investment plans and to strengthen operating working capital.	Note 1
Academic-industry collaborations plans contract	National Taiwan University of Science and Technology.	From March 2023 to February 2024	The research project of "Organic Removal of Dyeing Sludge by Hydrothermal Method and Cooperative Non-polymeric Material Mold Plant Planning and Product Inspection Project"; also, the related technical achievements and patents are owned by the Company.	None
Technology development contract	Wuxi Jiangnan University, Xi'an Polytechnic University and Guangdong University of Science and Technology, etc.,	Since March 2020 the contract was signed effectively one after another, the longest period of validity was till December 2023.	Assist in the development of related technologies or provide technical support for elastic, webbing, electronic wearable webbing, rapid and intelligent product design and virtual reality systems; also, the related technical achievements and patents are owned by the Company.	None

Note 1: Please refer to the Company's latest annual consolidated financial statement, Note 18 borrowings. (pages 201 to 203 of this annual report)

For other important contracts of the Company and its subsidiaries, please refer to the significant contingent liabilities and unrecognized commitments in the company's latest annual consolidated financial report and Table 5. (page 236 of the annual report)

VI. Financial Information

6.1 Financial Summary in the Past Five Years

6.1.1 Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

<div style="display: flex; align-items: center;"> <div style="flex: 1; text-align: center;">Year</div> <div style="flex: 1; text-align: center;">Item</div> </div>		Financial Summary in the Past Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		\$12,900,831	\$11,933,416	\$16,535,950	\$13,547,651	\$12,659,671
Property, Plant and Equipment		9,830,771	12,761,335	12,607,349	12,328,979	16,531,780
Intangible Assets		237,748	220,887	207,055	195,510	207,850
Other Assets		3,664,363	2,711,667	2,392,033	2,863,722	2,434,245
Total Assets		26,633,713	27,627,305	31,742,387	28,935,862	31,833,546
Current Liabilities	Before Distribution	9,778,701	10,051,534	11,747,069	8,212,818	14,685,286
	After Distribution	10,553,407	10,945,426	12,640,961	9,255,692	15,430,196
Non-Current Liabilities		5,754,736	5,908,680	7,541,330	7,092,685	2,660,060
Total Liabilities	Before Distribution	15,533,437	15,960,214	19,288,399	15,305,503	17,345,346
	After Distribution	16,308,143	16,854,106	20,182,291	16,348,377	18,090,256
Equity Attributable to Owners of the Corporation		8,776,955	9,296,693	9,809,085	10,760,491	11,784,369
Capital Stock		2,979,639	2,979,639	2,979,639	2,979,639	2,979,639
Capital Surplus		727,880	727,890	727,926	727,977	728,084
Retained Earnings	Before Distribution	5,300,166	6,037,507	6,673,718	7,789,974	8,247,034
	After Distribution	4,525,460	5,143,615	5,779,826	6,747,100	7,502,124
Others		(230,730)	(448,343)	(572,198)	(737,099)	(170,388)
Treasury Stock		0	0	0	0	0
Non-Controlling Interests		2,323,321	2,370,398	2,644,903	2,869,868	2,703,831
Total Equity	Before Distribution	11,100,276	11,667,091	12,453,988	13,630,359	14,488,200
	After Distribution	10,325,570	10,773,199	11,560,096	12,587,485	13,743,290

Note 1: The aforementioned financial information was audited and attested by CPAs.

6.1.2 Condensed Balance Sheet - Parent Company

Unit: NT\$ thousands

<div>Year</div> <div>Item</div>		Financial Summary in the Past Five Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		\$1,322,688	\$1,475,703	\$1,733,497	\$1,798,910	\$1,950,245
Property, Plant and Equipment		2,326,265	2,575,216	2,519,292	2,513,091	2,777,455
Intangible Assets		0	0	189	1,091	1,017
Other Assets		8,433,221	9,022,295	9,754,060	10,420,289	10,472,835
Total Assets		12,082,174	13,073,214	14,007,038	14,733,381	15,201,552
Current Liabilities	Before Distribution	1,081,498	1,680,532	1,961,303	1,014,589	1,774,177
	After Distribution	1,856,204	2,574,424	2,855,195	2,057,463	2,519,087
Non-Current Liabilities		2,223,721	2,095,989	2,236,650	2,958,301	1,643,006
Total Liabilities	Before Distribution	3,305,219	3,776,521	4,197,953	3,972,890	3,417,183
	After Distribution	4,079,925	4,670,413	5,091,845	5,015,764	4,162,093
Capital Stock		2,979,639	2,979,639	2,979,639	2,979,639	2,979,639
Capital Surplus		727,880	727,890	727,926	727,977	728,084
Retained Earnings	Before Distribution	5,300,166	6,037,507	6,673,718	7,789,974	8,247,034
	After Distribution	4,525,460	5,143,615	5,779,826	6,747,100	7,502,124
Others		(230,730)	(448,343)	(572,198)	(737,099)	(170,388)
Treasury Stock		0	0	0	0	0
Total Equity	Before Distribution	8,776,955	9,296,693	9,809,085	10,760,491	11,784,369
	After Distribution	8,002,249	8,402,801	8,915,193	9,717,617	11,039,459

Note 1: The aforementioned financial information was audited and attested by CPAs.

6.1.3 Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands, except EPS NT\$

Item \ Year	Financial Summary in the Past Five Years (Note 1)				
	2018	2019	2020	2021	2022
Net Sales	\$13,716,050	15,299,654	\$14,645,277	\$18,287,786	16,270,386
Gross Profit	4,983,842	5,467,887	5,375,925	6,928,521	5,590,581
Income from Operations	2,370,607	2,758,589	2,809,032	3,977,812	2,714,748
Non-Operating Income and Expenses	(158,087)	(222,160)	(125,450)	49,085	(144,114)
Profit before Income Tax	2,212,520	2,536,429	2,683,582	4,026,897	2,570,634
Income from Operations of Continued Segments - after Tax	1,514,342	1,696,040	1,800,435	2,666,050	1,788,781
Income from Discontinued Departments	0	0	0	0	0
Net Profit	1,514,342	1,696,040	1,800,435	2,666,050	1,788,781
Other Comprehensive Income (Loss)	(96,162)	(326,253)	(28,125)	(194,377)	565,744
Total Comprehensive Income (Loss)	1,418,180	1,369,787	1,772,310	2,471,673	2,354,525
Net Profit Attribute to Owners of the Corporation	1,360,306	1,522,184	1,551,805	2,059,783	1,520,410
Net Profit Attribute to Non-Controlling Interests	154,036	173,856	248,630	606,267	268,371
Total Comprehensive Income (Loss) Attribute to Owners of the Corporation	1,362,204	1,294,434	1,406,248	1,908,774	2,104,083
Total Comprehensive Income Attribute to Noncontrolling Interests	55,976	75,353	366,062	562,899	250,442
Earnings per Share	4.57	5.11	5.21	6.91	5.10

Note 1: The aforementioned financial information was audited and attested by CPAs.

6.1.4 Condensed Statement of Comprehensive Income - Parent Company

Unit: NT\$ thousands, except EPS NT\$

Item \ Year	Financial Summary in the Past Five Years (Note 1)				
	2018	2019	2020	2021	2022
Net Sales	\$3,822,629	\$4,090,277	\$3,771,343	\$4,285,592	\$3,612,336
Gross Profit	1,179,459	1,211,761	1,136,149	1,330,091	894,191
Income from Operations	663,741	632,877	618,790	743,260	329,097
Non-Operating Income and Expenses	1,010,520	1,204,879	1,231,263	1,822,907	1,599,706
Profit before Income Tax	1,674,261	1,837,756	1,850,053	2,566,167	1,928,803
Income from Operations of Continued Segments - after Tax	1,360,306	1,522,184	1,551,805	2,059,783	1,520,410
Income from Discontinued Departments	0	0	0	0	0
Net Profit	1,360,306	1,522,184	1,551,805	2,059,783	1,520,410
Other Comprehensive Income (Loss)	1,898	(227,750)	(145,557)	(151,009)	583,673
Total Comprehensive Income (Loss)	1,362,204	1,294,434	1,406,248	1,908,774	2,104,083
Earnings per Share	4.57	5.11	5.21	6.91	5.10

Note 1: The aforementioned financial information was audited and attested by CPAs.

6.1.5 CPAs' Opinions in the Past Five Years

Year	Accounting Firm	CPA Name	Audit Opinion
2018	Deloitte & Touche	Shu-Chin Chiang Hsiao-Fang Yen	Unmodified Opinion
2019	Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su (Note 1)	Unmodified Opinion
2020	Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	Unmodified Opinion
2021	Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	Unmodified Opinion
2022	Deloitte & Touche	Shu-Chin Chiang Ting-Chien Su	Unmodified Opinion

Note 1: The replacement of the CPA in 2019 was arranged due to the internal work scheduling and arrangement of Deloitte & Touche.

6.2 Financial Analysis in the Past Five Years

6.2.1 Consolidated Financial Analysis

<div> <div></div> <div>Year</div> </div> <div>Item (Note 2)</div>		Financial Summary in the Past Five Years (Note 1)				
		2018	2019	2020	2021	2022
Capital Structure	Debt Ratio (%)	58.3	57.8	60.8	52.9	54.5
	Long-Term Funds to Property, Plant and Equipment Ratio (%)	171.5	137.7	158.6	168.1	103.7
Liquidity	Current Ratio (%)	131.9	118.7	140.8	165.0	86.2
	Quick Ratio (%)	77.3	67.8	94.1	92.9	49.3
	Times Interest Earned (Times)	13.0	10.2	14.9	30.2	9.9
Operating Performance	Average Collection Turnover (Times)	5.8	6.0	5.4	6.2	6.2
	Days Sales Outstanding	63	61	68	59	59
	Average Inventory Turnover (Times)	1.7	1.8	1.6	1.8	1.7
	Average Manufactures' Inventory Turnover (Times)	3.2	3.3	2.9	2.8	2.5
	Average Payment Turnover (Times)	11.3	11.5	13.9	13.6	13.1
	Average Inventory Turnover Day (Including Construction)	214	209	227	200	216
	Average Inventory Turnover Day (Excluding Construction)	116	110	126	131	143
	Property, Plant and Equipment Turnover (Times)	1.5	1.4	1.2	1.5	1.1
	Total Assets Turnover (Times)	0.5	0.6	0.5	0.6	0.5
Profitability	Return on Total Assets (%)	6.9	7.1	6.6	9.2	6.7
	Return on Equity Attributable to Owners of the Corporation (%)	13.9	14.9	14.9	20.4	12.7
	Profit before Income Tax to Paid-in Capital (%)	74.3	85.1	90.1	135.2	86.3
	Net Profit Margin (%)	11.0	11.1	12.3	14.6	11.0
	Earnings Per Share (NT\$)	4.57	5.11	5.21	6.91	5.10
Cash Flow	Cash Flow Ratio (%)	27.4	17.6	44.8	27.9	20.9
	Cash Flow Adequacy Ratio (%)	57.4	49.2	63.8	63.2	78.8
	Cash Flow Reinvestment Ratio (%)	8.3	4.4	16.8	5.1	8.1
Leverage	Operating Leverage	2.7	2.7	2.8	2.4	2.9
	Financial Leverage	1.1	1.1	1.1	1.0	1.1

Analysis of changes in financial ratios which show a difference of more than 20% in the past two years:

1. Long-term fund to property, plant, and equipment, Current ratio and quick ratio went down in 2022 compared to those in 2021, mainly due to significant increase in the current portion of the long-term borrowings at the end of 2021 and additional investments in production plants and facilities by each operation site for future operation needs.
2. Times interest earned in 2022 was lower than 2021, mainly due to the increase of bank loan interest rates and the increase in bank loans in 2022, lead to an increase in interest expenses. The profit has decrease was due to the influence of the Russia-Ukraine War, the inflation and hikes interest rates in 2022, an overall sales declined and operating costs has increased, and the real estate has comes to the post stage that lead to decrease in sales.
3. Property, Plant and Equipment Turnover went down in 2022 compared to that in 2021, mainly due to decreased of net sales, while there were additional investments in production plants and facilities by each operation site.
4. Returns on assets and equity, pre-tax income to paid-in capital, net margin, and earnings per share went down in 2022 compared to those in 2021, mainly due to decrease in net profit in 2022.
5. Cash flow ratio went down in 2022 compared to that in 2021, mainly due to a significant increase in the current portion of the long-term borrowings at the end of 2021.
6. The cash flow adequacy ratio in 2022 was higher than 2021, mainly due to the real estate sales revenue recognized in 2021 was mainly received in advance in 2020. The account receivable in 2022 decreased significantly compared with 2021, lead the cash flow from operating activities increased in 2022 compared with 2021.
7. Cash flow reinvestment ratio went up in 2022, compared to that in 2021, mainly due to increases in net cash inflow from operating activities and in the current portion of the long-term borrowings in 2022, which derived a lower operation capital compared to 2021.
8. The operating leverage in 2022 was higher than 2021, mainly due to the decrease of net sales in 2022 and cannot proportionally decrease the rate in production costs and operating expenses, lead to the decrease in operating profit in 2022 was higher than the decrease in net sales.

Note 1: The aforementioned financial information was audited and attested by CPAs.

Note 2: The calculation formula of financial analysis :

1. Capital Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-Term Funds to Property, Plant and Equipment Ratio = (Total Equity + Non-Current Liabilities) / Net Property, Plant and Equipment

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

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

(3) $\text{Times Interest Earned} = \text{Earnings before Interest and Taxes} / \text{Interest Expense}$

3. Operating Performance

(1) $\text{Average Collection Turnover (Including Trade Receivables and Notes Receivable Resulted from Business Operation)} = \text{Net Sales} / \text{Average Accounts Receivable (Including Trade Receivable and Notes Receivable Resulted from Business Operation)}$

(2) $\text{Days Sales Outstanding} = 365 / \text{Average Collection Turnover}$

(3) $\text{Average Inventory Turnover} = \text{Cost of Goods Sold} / \text{Average Inventory}$

(4) $\text{Average Payment Turnover (Including Trade Payables and Notes Payable Resulted from Business Operation)} = \text{Cost of Goods Sold} / \text{Average Accounts Payables (Including Trade Payables and Notes Payable Resulted from Business Operation)}$

(5) $\text{Average Inventory Turnover Days} = 365 / \text{Average Inventory Turnover}$.

(6) $\text{Property, Plant and Equipment Turnover} = \text{Net Sales} / \text{Average Net Property, Plant and Equipment}$

(7) $\text{Total Assets Turnover} = \text{Net Sales} / \text{Average Total Assets}$

4. Profitability

(1) $\text{Return on Total Assets} = [\text{Net Profit} + \text{Interest Expenses} \times (1 - \text{Effective Tax Rate})] / \text{Average Total Assets}$

(2) $\text{Return on Equity Attributable to Owners of the Corporation} = \text{Net Profit Attributable to Owners of the Corporation} / \text{Average Equity Attributable to Owners of the Corporation}$

(3) $\text{Net Profit Margin} = \text{Net Profit} / \text{Net Sales}$

(4) $\text{Earnings per Share} = (\text{Net Profit} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

5. Cash Flow

(1) $\text{Cash Flow Ratio} = \text{Net Cash Provided by Operating Activities} / \text{Current Liabilities}$

(2) $\text{Cash Flow Adequacy Ratio} = \text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$

(3) $\text{Cash Flow Reinvestment Ratio} = (\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investments} + \text{Other Noncurrent Assets} + \text{Working Capital})$

6. Leverage

(1) $\text{Operating Leverage} = (\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations}$

(2) $\text{Financial Leverage} = \text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

6.2.2 Financial Analysis – Parent Company

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial Summary in the Past Five Years (Note 1)				
		2018	2019	2020	2021	2022
Capital Structure	Debt Ratio (%)	27.4	28.9	30.0	27.0	22.5
	Long-Term Funds to Property, Plant and Equipment Ratio (%)	472.9	442.4	478.1	545.9	483.4
Liquidity	Current Ratio (%)	122.3	87.8	88.4	177.3	109.9
	Quick Ratio (%)	83.2	64.7	68.5	122.2	81.7
	Times Interest Earned (Times)	81.2	82.1	92.8	177.2	191.3
Operating Performance	Average Collection Turnover (Times)	5.9	6.5	5.4	5.4	5.7
	Days Sales Outstanding	62	56	68	68	64
	Average Inventory Turnover (Times)	5.0	5.5	5.0	4.7	3.9
	Average Payment Turnover (Times)	11.9	12.3	11.0	11.7	12.5
	Average Inventory Turnover Day	73	67	73	78	95
	Property, Plant and Equipment Turnover (Times)	1.6	1.6	1.5	1.7	1.3
	Total Assets Turnover (Times)	0.3	0.3	0.3	0.3	0.2
Profitability	Return on Total Assets (%)	11.8	12.2	11.6	14.4	10.2
	Return on Equity (%)	15.9	16.8	16.2	20.0	13.5
	Profit before Income Tax to Paid-in Capital (%)	56.2	61.7	62.1	86.1	64.7
	Net Profit Margin (%)	35.6	37.2	41.2	48.1	42.1
	Earnings Per Share (NT\$)	4.57	5.11	5.21	6.91	5.10
Cash Flow	Cash Flow Ratio (%)	64.8	80.9	53.9	117.2	105.0
	Cash Flow Adequacy Ratio (%)	98.3	94.0	99.8	95.6	96.5
	Cash Flow Reinvestment Ratio (%)	(1.6)	4.7	1.3	2.0	5.7
Leverage	Operating Leverage	2.5	2.7	2.7	2.5	4.2
	Financial Leverage	1.0	1.0	1.0	1.0	1.0

	<p>Analysis of changes in financial ratios which show a difference of more than 20% in the past two years:</p> <ol style="list-style-type: none"> 1. Quick ratio went down in 2022 compared to that in 2021, mainly due to a significant increase in the current portion of the long-term borrowings at the end of 2021. 2. The average inventory turnover day in 2022 has increased compared with 2021, mainly due to the sales reduction in terminal products and destocking by customers that decreases in operating income in Q4 2022, lead to an increase in average inventory in 2022. 3. Return on total assets went down in 2022 compared to that in 2021, mainly due to an increase in total assets from continuous investment activities in the Company and individual subsidiaries, but the profit has decrease was due to the influence of the Russia-Ukraine War, the inflation and hikes interest rates in 2022, an overall sales declined and operating costs has increased, and the real estate has comes to the post stage that lead to decrease in sales. 4. Returns on assets and equity, pre-tax income to paid-in capital, net margin, and earnings per share went down in 2022 compared to that in 2021, mainly due to decreases in profit before income tax and net profit. 5. Cash flow reinvestment ratio went up in 2022 compared to that in 2021, mainly due to reduction in trade receivables at the end of year 2022 and dividend remittance from the overseas subsidiaries, which resulted in a higher net cash inflow from operating activities in 2022 compared with the year before. 6. The operating leverage in 2022 was higher than 2021, mainly due to the decrease of net sales in 2022 and cannot proportionally decrease the rate in production costs and operating expenses, lead to the decrease in operating profit in 2022 was higher than the decrease in net sales.
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Note 1: The aforementioned financial information was audited and attested by CPAs.

6.3 Audit Committee's Review Report in the Recent Year's Financial Statements

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2022 Business Report, Financial Statements and proposals of earnings distribution. The independent auditors Shu-Chin Chiang and Ting-Chien Su of Deloitte & Touche have audited the Financial Statements and issued audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposals of earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Paiho Limited. Therefore, we hereby submit this report in accordance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review accordingly.

Sincerely,

2023 Annual General Shareholders' Meeting

TAIWAN PAIHO LIMITED

Jui-Lin Lo

Chairman of Audit Committee

April 20, 2023

6.4 Consolidated Financial Statements and CPAs' Report in the Recent Year

Independent Auditors' Report

To: TAIWAN PAIHO LIMITED

Audit Opinion

We have audited the accompanying consolidated financial statements of Taiwan Paiho Limited and its subsidiaries (collectively the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated income statement, consolidated statement of cash flows for the years then ended, and notes to consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our reports. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters are addressed in the context of our audit of the consolidated financial

statements as a whole and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter for the consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Recognition of sales revenue

The main business items of the Group include the manufacturing and sale of touch fasteners, webbing shoelaces, elastic, and relevant peripheral materials as well as the sale of residential buildings constructed by construction contractors. Among all, the revenue from the sale of webbing shoelaces significantly influences the operating revenue and profit of the Group. Therefore, we include the above-mentioned sales revenue as a key audit matter. Please refer to Note 4 to Consolidated Financial Statements.

We have conducted procedures related to the matters included the following, among others:

1. We understood the design and implementation of internal controls and procedures for recognizing the sales revenue, and sampled and verified the appropriateness of the original orders approved.
2. We picked samples from the statement of webbing shoelaces sales, compared to relevant documents, including order form, shipping order, and sales invoice, and checked the payment collection to verify the authenticity of revenue recognition.

Miscellaneous

We have also audited the parent only financial statements of Taiwan Paiho Limited as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and the IFRS, IAS, IFRIC, and SIC, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements.

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We have also conducted the following work:

1. Identify and assess the risk of material misstatement of the consolidated financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriate ness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and therefore the audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taiwan
Shu-Chin, Chiang CPA
Ting-Chien, Su CPA
March 24, 2023

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 3,728,083	12	\$ 3,531,290	12
1110	Financial assets at fair value through profit and loss – current (Notes 4 and 7)	141,102	-	-	-
1136	Financial assets measured at amortized cost – current (Notes 4 and 9)	230,769	1	221,866	1
1150	Notes receivable (Notes 4 and 10)	56,857	-	140,824	-
1170	Trade receivables (Notes 4 and 10)	2,066,491	6	2,835,196	10
1200	Other receivable (Note 4)	171,027	1	347,011	1
1310	Inventories – manufacturing (Notes 4 and 11)	3,051,293	10	3,035,641	11
1320	Inventory – constructing (Notes 4 and 11)	2,273,955	7	2,756,659	10
1470	Other current assets (Notes 17 and 25)	940,094	3	679,164	2
11XX	Total current assets	<u>12,659,671</u>	<u>40</u>	<u>13,547,651</u>	<u>47</u>
	Non-current assets				
1535	Financial assets measured at amortized cost – non-current (Notes 4, 9 and 31)	117,634	-	289,073	1
1600	Property, plant and equipment (Notes 4, 13 and 31)	16,531,780	52	12,328,979	43
1755	Right-of-use assets (Notes 4 and 14)	1,522,719	5	1,463,606	5
1760	Investment property (Notes 4 and 15)	138,977	-	142,865	-
1805	Goodwill (Note 4 and 16)	181,031	1	191,041	1
1821	Other intangible assets (Notes 4)	26,819	-	4,469	-
1840	Deferred income tax assets (Notes 4 and 25)	179,381	1	354,358	1
1915	Prepayment for machinery and equipment	391,423	1	543,815	2
1995	Other non-current assets (Note 17)	84,111	-	70,005	-
15XX	Total non-current assets	<u>19,173,875</u>	<u>60</u>	<u>15,388,211</u>	<u>53</u>
1XXX	Total assets	<u>\$ 31,833,546</u>	<u>100</u>	<u>\$ 28,935,862</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2102	Short-term borrowings (Note 18)	\$ 6,659,884	21	\$ 2,863,774	10
2130	Contractual liabilities – current (Notes 4, 23, 30 and 32)	32,558	-	998,329	3
2150	Notes payable	76,838	-	104,865	-
2170	Trade payables	570,458	2	882,034	3
2200	Other payables (Notes 19 and 24)	1,620,065	5	1,659,901	6
2230	Current tax liabilities (Notes 4 and 25)	1,033,977	3	1,016,382	4
2280	Lease liabilities – current (Notes 4, 14 and 30)	17,917	-	30,458	-
2320	Current portion of long-term borrowings (Notes 18 and 31)	4,629,791	15	576,310	2
2399	Other current liabilities (Note 4)	43,798	-	80,765	-
21XX	Total current liabilities	<u>14,685,286</u>	<u>46</u>	<u>8,212,818</u>	<u>28</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 18 and 31)	727,909	2	5,247,409	18
2570	Deferred tax liabilities (Notes 4 and 25)	1,553,592	5	1,384,016	5
2580	Lease liabilities – non-current (Notes 4, 14 and 30)	38,014	-	96,613	1
2630	Deferred revenue – non-current (Note 4 and 14)	126,665	-	84,498	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	199,566	1	266,100	1
2645	Guarantee deposits received	14,314	-	14,049	-
25XX	Total non-current liabilities	<u>2,660,060</u>	<u>8</u>	<u>7,092,685</u>	<u>25</u>
2XXX	Total liabilities	<u>17,345,346</u>	<u>54</u>	<u>15,305,503</u>	<u>53</u>
	Equity attributable to owners of the Corporation				
3110	Common stock	2,979,639	9	2,979,639	10
3200	Capital surplus	728,084	2	727,977	3
	Retained earnings				
3310	Legal reserve	1,841,652	6	1,640,637	6
3320	Special reserve	737,099	2	572,198	2
3350	Unappropriated earnings	5,668,283	18	5,577,139	19
3400	Other equity interest	(170,388)	-	(737,099)	(3)
31XX	Total equity attributable to owners of the Corporation	<u>11,784,369</u>	<u>37</u>	<u>10,760,491</u>	<u>37</u>
36XX	Non-controlling interests	<u>2,703,831</u>	<u>9</u>	<u>2,869,868</u>	<u>10</u>
3XXX	Total equity	<u>14,488,200</u>	<u>46</u>	<u>13,630,359</u>	<u>47</u>
	Total liabilities and equity	<u>\$ 31,833,546</u>	<u>100</u>	<u>\$ 28,935,862</u>	<u>100</u>

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2022		2021	
		Amount	%	Amount	%
4000	Net sale (Notes 4 and 28)	\$ 16,270,386	100	\$ 18,287,786	100
5000	Cost of operation (Notes 4, 11, 23, 24 and 30)	<u>10,679,805</u>	<u>65</u>	<u>11,359,265</u>	<u>62</u>
5950	Gross profit	<u>5,590,581</u>	<u>35</u>	<u>6,928,521</u>	<u>38</u>
	Operating expense (Notes 24 and 30)				
6100	Sales and marketing expenses	1,449,409	9	1,447,989	8
6200	General and administrative expenses	980,204	6	925,779	5
6300	Research and development expenses	543,759	3	558,247	3
6450	Expected credit loss–(gain) (Note 10)	(<u>97,539</u>)	<u>-</u>	<u>18,694</u>	<u>-</u>
6000	Total operating expense	<u>2,875,833</u>	<u>18</u>	<u>2,950,709</u>	<u>16</u>
6900	Profit from operations	<u>2,714,748</u>	<u>17</u>	<u>3,977,812</u>	<u>22</u>
	Non-operating income and expense				
7010	Government grant (Note 4)	27,230	-	60,780	-
7100	Interest income (Note 4)	47,289	-	88,745	1
7190	Other income (Note 4)	95,080	1	86,570	-
7510	Financial costs (Notes 4, 24 and 30)	(289,752)	(2)	(137,897)	(1)
7590	Other expenses (Note 4 and 24)	(135,474)	(1)	(31,638)	-
7630	Net foreign exchange profit (loss) (Note 4 and 24)	<u>111,513</u>	<u>1</u>	(<u>17,475</u>)	<u>-</u>
7000	Total non-operating income and expense	(<u>144,114</u>)	(<u>1</u>)	<u>49,085</u>	<u>-</u>
7900	Profit before income tax	2,570,634	16	4,026,897	22

(Continued on the following page)

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Code		2022		2021	
		Amount	%	Amount	%
7950	Income tax expense (Notes 4 and 25)	<u>781,853</u>	<u>5</u>	<u>1,360,847</u>	<u>7</u>
8200	Net Profit for the Year	<u>1,788,781</u>	<u>11</u>	<u>2,666,050</u>	<u>15</u>
	Other comprehensive income (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 20)	59,159	-	21,231	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	4,178	-	-	-
8349	and income tax related to items that will not be reclassified (Notes 25)	(<u>8,405</u>)	<u>-</u>	(<u>2,067</u>)	<u>-</u>
		<u>54,932</u>	<u>-</u>	<u>19,164</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	645,071	4	(254,766)	(1)
8399	and income tax related to items likely to be reclassified to profit or loss (Notes 25)	(<u>134,259</u>)	(<u>1</u>)	<u>41,225</u>	<u>-</u>
		<u>510,812</u>	<u>3</u>	(<u>213,541</u>)	(<u>1</u>)
8300	Other comprehensive income for the period	<u>565,744</u>	<u>3</u>	(<u>194,377</u>)	(<u>1</u>)
8500	Total comprehensive income for the year	<u>\$ 2,354,525</u>	<u>14</u>	<u>\$ 2,471,673</u>	<u>14</u>
	Net income attributable to:				
8610	Owners of the Corporation	\$ 1,520,410	9	\$ 2,059,783	11
8620	Non-controlling interests	<u>268,371</u>	<u>2</u>	<u>606,267</u>	<u>4</u>
8600		<u>\$ 1,788,781</u>	<u>11</u>	<u>\$ 2,666,050</u>	<u>15</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Total comprehensive income attributable to:				
8710	Owners of the Corporation	\$ 2,104,083	13	\$ 1,908,774	11
8720	Non-controlling interests	<u>250,442</u>	<u>1</u>	<u>562,899</u>	<u>3</u>
8700		<u>\$ 2,354,525</u>	<u>14</u>	<u>\$ 2,471,673</u>	<u>14</u>
	Earnings per share (Note 26)				
9750	Basic	<u>\$ 5.10</u>		<u>\$ 6.91</u>	
9850	Diluted	<u>\$ 5.09</u>		<u>\$ 6.90</u>	

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

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
January 1 to December 31, 2022 and 2021
(In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent Company (Note 4)											
		Capital reserve (Note 22)				Other equity items (Notes 8 and 22)							
				Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Disposal or Acquisition	Retained Earnings (Notes 8 and 22)			Exchange Differences on Translating Foreign Operations	Unrealized Profit or Loss of Financial Assets at FVTOCI	Total	Non-Controlling Interests	Total Equity	
Code		Common Stock (Note 22)	Premium from Stock		Donation Assets	Legal Reserve	Special Reserve						Unappropriated Earnings
A1	Balance at January 1, 2021	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	(\$ 542,523)	(\$ 29,675)	\$ 9,809,085	\$ 2,644,903	\$ 12,453,988
C3	Donation from shareholders	-	-	-	51	-	-	-	-	-	51	-	51
	Appropriation of 2020 earnings												
B1	Legal reserve	-	-	-	-	153,010	-	(153,010)	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	123,855	(123,855)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	-	(893,892)	-	-	(893,892)	-	(893,892)
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(63,527)	-	-	(63,527)	(185,261)	(248,788)
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	(152,673)	(152,673)
D1	Net profit for the year ended December 31, 2021	-	-	-	-	-	-	2,059,783	-	-	2,059,783	606,267	2,666,050
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	13,892	(164,901)	-	(151,009)	(43,368)	(194,377)
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	2,073,675	(164,901)	-	1,908,774	562,899	2,471,673
Z1	Balance at December 31, 2021	2,979,639	615,831	111,914	232	1,640,637	572,198	5,577,139	(707,424)	(29,675)	10,760,491	2,869,868	13,630,359
C3	Donation from shareholders	-	-	-	107	-	-	-	-	-	107	-	107
	Appropriation of 2021 earnings												
B1	Legal reserve	-	-	-	-	201,015	-	(201,015)	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	164,901	(164,901)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	-	(1,042,874)	-	-	(1,042,874)	-	(1,042,874)
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(37,438)	-	-	(37,438)	(35,115)	(72,553)
O1	Cash dividend for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	(381,364)	(381,364)
D1	Net income for the year ended December 31, 2022	-	-	-	-	-	-	1,520,410	-	-	1,520,410	268,371	1,788,781
D3	Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	42,459	537,036	4,178	583,673	(17,929)	565,744
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	1,562,869	537,036	4,178	2,104,083	250,442	2,354,525
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(25,497)	-	25,497	-	-	-
Z1	Balance at December 31, 2022	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 339	\$ 1,841,652	\$ 737,099	\$ 5,668,283	(\$ 170,388)	\$ -	\$ 11,784,369	\$ 2,703,831	\$ 14,488,200

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	Cash flows from operating activities		
A10000	Income before income tax	\$ 2,570,634	\$ 4,026,897
A20010	Incomes and expense items:		
A20100	Depreciation expense	1,253,549	1,280,549
A20200	Amortization expense	1,452	831
A20300	Expected credit loss recognized (gain on reversal)	(97,539)	18,694
A20900	Finance costs	289,752	137,897
A21200	Interest income	(47,289)	(88,745)
A22500	Loss from disposal of property, plant and equipment	8,207	300
A23700	Impairment loss recognized on non-financial assets	316,410	137,189
A24100	Unrealized foreign currency exchange loss, net	(35,525)	352
A29900	Loss from disposal of subsidiaries	7,984	-
A29900	Others	(700)	(55,523)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at fair value through profit or loss (FVTPL)	(144,616)	640,936
A31130	Notes receivable	85,845	37,329
A31150	Trade receivables	1,020,435	(439,394)
A31180	Other receivables	229,838	117,076
A31200	Inventories – manufacturing	(4,649)	(985,518)
A31200	Inventories – construction	270,734	275,049
A31240	Other current assets	(198,014)	(25,233)
A32125	Contractual liabilities	(965,771)	(2,169,361)
A32130	Notes payable	(28,027)	43,664
A32150	Trade payables	(347,314)	278,168
A32180	Other payables	(370,726)	197,597
A32210	Deferred income	48,728	-
A32230	Other current liabilities	(37,236)	(8,340)
A32240	Net defined benefit liabilities	(8,605)	4,256
A33000	Cash generated from operations	3,817,557	3,424,670
A33100	Interest received	47,289	88,745
A33300	Interest paid	(258,767)	(142,668)
A33500	Income tax paid	(538,231)	(1,081,942)
AAAA	Net cash generated from operating activities	<u>3,067,848</u>	<u>2,288,805</u>

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Code		2022	2021
	Cash flow from investment activities		
B00020	Disposal of financial assets at fair value through other comprehensive income	4,178	-
B00040	Purchase of financial assets at amortized cost	(1,120,731)	(2,664,317)
B00050	Proceeds from disposal of financial assets at amortized cost	1,350,822	3,008,166
B02300	Net cash inflow from disposal of subsidiaries (Note 27)	31,134	-
B02700	Payments for property, plant and equipment	(3,286,677)	(840,771)
B02800	Proceeds from disposal of property, plant and equipment	11,709	12,628
B03700	Decrease (increase) in refundable deposits	(3,032)	(28,080)
B04500	Procurement of intangible assets	(11,672)	(2,356)
B05350	Payments for right-of-use assets	(3,720)	-
B06700	Decrease (increase) in other non-current assets	(13,462)	7,619
B07100	Increase of prepayment for machinery and equipment	(413,202)	(622,924)
BBBB	Net cash used in investing activities	(3,454,653)	(1,130,035)
	Cash flow from financing activities		
C00100	Net decrease (increase) in short-term borrowings	3,327,327	(1,030,090)
C01600	Proceeds from long-term borrowings	2,975,600	5,757,359
C01700	Repayment of long-term borrowings	(3,859,573)	(6,834,378)
C03000	Proceeds of guarantee deposits returned	(1,213)	(3,050)
C04020	Repayment of the principal portion of lease liabilities	(27,322)	(62,458)
C04500	Distribution of cash dividend	(1,042,874)	(893,892)
C05700	Income taxes paid on disposal of subsidiary	(72,553)	(264,011)
C05800	Dividends paid to non-controlling interests	(381,364)	(152,673)
C09900	Overdue dividend	107	51
CCCC	Net cash generated from (used in) financing activities	918,135	(3,483,142)
DDDD	Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(334,537)	(15,184)
EEEE	Net increase (decrease) in cash and cash equivalents	196,793	(2,339,556)
E00100	Cash and cash equivalents at the beginning of period	3,531,290	5,870,846
E00200	Cash and cash equivalents at the end of period	\$ 3,728,083	\$ 3,531,290

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

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

January 1 to December 31, 2022 and 2021

(In thousands of New Taiwan dollars or foreign currency unless stated otherwise)

I. General Information

Taiwan Paiho Limited (hereinafter referred to as “the Corporation”) was incorporated in January 1985. It manufactures and sells touch fasteners, webbing, shoelaces, elastic, easy tape and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors.

The Corporation was approved to list its stock at Taiwan Stock Exchange Corporation (TWSE) for trading in January 2001.

The consolidated financial statements of the Corporation and its subsidiaries (collectively, the “Group”) are presented in the Corporation’s functional currency, New Taiwan dollar.

II. Approval of the Financial Statements

These consolidated financial statements were approved by the Board of Directors on March 15, 2023.

III. Application of New, Amended and Revised Standards and Interpretations

- (I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Corporation and its subsidiaries (collectively referred to as the “Group”).

- (II) IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendment to IAS 1, “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendment to IAS 8, “Definition of Accounting Estimate”	January 1, 2023 (Note 2)
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied for annual reporting of the periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting periods of January 1, 2023.

Note 3: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, through the New IFRSs assessment, there have not been significant effects to the financial positions and results due to the adjustments from the standards and interpretations stated above.

(III) New IFRSs issued by IASB but not yet endorsed and announced by the FSC

New IFRSs	Effective date announced by IASB (Note 1)
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture s"	To be determined by IASB
Amendment to IFRS 16 "lease Liabilities in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Amendment to IFRS 16 is applied retrospectively for sale-leaseback transactions contracted after the initial application of IFRS 16

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRSs) as endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1. Assets held for trading purposes;
2. Assets expected to be converted to cash, sold or consumed within 12 months starting from the balance sheet date and
3. Cash and cash equivalent (excluding the portion limited to the use of liability exchange or repayment within 12 months from the end of the reporting period).

Current liabilities include:

1. Liabilities held for trading purposes
2. Liabilities expected to be settled within 12 months from the end of the reporting period (including the refinanced or rescheduled long-term financing completed after the balance sheet date but before the report issuing date); and

3. Liabilities that don't have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Except the portion that could result in its settlement by the issue of equity instruments at the option of the counterparty, do not affect its classification.

Assets and liabilities do not fit in the descriptions above are classified as non-current.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). Current income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the parent company and to the non-controlling interests.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between: (1) the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest at the date when control is lost. The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

See Note 12, Tables 9 and 10 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

(V) Foreign Currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency assets held are translated using the closing exchange rates prevailing at the end of each balance sheet date. Exchange differences arising from foreign currency settlement or translation are recognized in profit or loss.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Corporation's foreign operations are translated into NT\$ using exchange rates prevailing the end of each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the owner of the parent company and to the non-controlling interests).

(VI) Inventories

Manufacturing

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Construction industry

The properties to be developed refer to the expenditure on land use right and construction which will be reclassified as construction in progress at the start of the construction and obtaining of construction certificates of the properties.

The cost of real estate under development comprises the cost of land use rights, construction costs and borrowing costs that are eligible for capitalization, which will be transferred to construction to be sold upon completion of construction.

Before acquiring land use right and before completing the construction, the interest incurred on land payment and the actual construction cost are capitalized as cost of land use right and as development cost, respectively.

Land for construction and real estate for sale are accounted for at cost. If there is sufficient evidence to show that the net realizable value is lower than the cost at the end of the period, then the difference is recognized as allowance for loss.

(VII) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include right-of-use assets if the definition of investment properties is met.

Investment properties owned are initially measured at cost (including cost of transaction) and are subsequently measured at cost less accumulated depreciation and less accumulated impairment losses.

Investment property held through a lease is measured at original cost (including initial lease liability measurement, rental paid prior the commencement of the lease term, initial direct costs and estimated cost for restoring less incentive to collect lease payments), and subsequently measured at cost less accumulated depreciation and less accumulated impairment losses, with the adjustment to remeasure of the lease liability.

Depreciation is recognized using the straight-line method.

For a transfer from the investment properties classification to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

(IX) Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(X) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal

proceeds and the carrying amount of the asset is recognized in profit or loss.

(XI) Assets related to contract costs

When a sales contract is obtained, selling service fees paid to agents under exclusive sale agreements are recognized as incremental costs of obtaining a contract to the extent that the costs are expected to be recovered and are recognized in profit or loss when the property is transferred to the customers. However, the Group elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the related asset, which the Group otherwise would have recognized, is expected to be one year or less.

(XII) Impairment of property, plant and equipment, right-of-use assets, investment property, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment property, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(XIII) Financial instruments

Financial assets and financial liabilities are recognized when an entity of the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair

value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1. Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL and financial assets at amortized cost.

(1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29: Financial Instruments.

(2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, restricted deposits at amortized cost, debt instruments, notes receivable, trade receivables, other receivables and refundable deposit, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- A. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- B. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- A. Significant financial difficulty of the issuer or the borrower;
- B. Breach of contract, such as a default;
- C. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- D. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless

the dividends clearly represent a recovery of part of the cost of the investment.

2. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- (1) Internal or external information shows that the debtor is unlikely to pay its creditors.
- (2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is

recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

1. Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

2. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(XIV) Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(XV) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1. Revenue from the sale of goods

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location and the goods are shipped or picked up because it is the time when the customer has the right to use and bears the risks on the goods.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2 Revenue from the sale of real estate

The Group identifies the contract with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from sales of real estate is recognized on the day the real estate is transferred, i.e. the buyer and seller have signed the sales contract and have filed the relevant documents in the local real estate institution, acceptance has been qualified by relevant departments and the filing procedures are completed, and the seller issues a notice of real estate transfer according to the provisions of the contract. Until such revenue is recognized, deposits and installment payments received from the buyer of properties are reported as contract liabilities - current in the consolidated balance sheets.

(XVI) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term that causes a change in the amounts expected to be payable under a residual value guarantee, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XVII) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XVIII) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

(XIX) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2 Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurred. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(XX) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

VI. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash and cash on hand	\$ 40,958	\$ 78,142
Checking accounts and demand deposits	2,160,525	1,693,244
Cash equivalents (deposit accounts with original maturities of 3 months or less)	<u>1,526,600</u>	<u>1,759,904</u>
	<u>\$ 3,728,083</u>	<u>\$ 3,531,290</u>
<u>Rate of interest per annum (%)</u>		
Deposits in banks	0.00-3.30	0.00-1.75
Deposit accounts with original maturities of 3 months or less	1.75-3.10	1.40-2.80

VII. Financial Instruments at Fair Value through Profit or Loss (FVTPL) – Current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets mandatorily classified as at FVTPL		
Non derivative financial assets		
- Structured deposits	<u>\$ 141,102</u>	<u>\$ -</u>

VIII. Financial Assets at Fair Value through Other Comprehensive Income – Non-Current

Equity Instrument Investment

<u>Name of Investee</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Foreign unlisted ordinary shares</u>		
Hong Kong Leader Elastic Limited	<u>\$ -</u>	<u>\$ -</u>

The Group invested in Hong Kong Leader Elastic Limited under its long-term strategic objective and makes profit from long-term investment. The management holds that if the short-term fluctuation of fair value of the investment was recognized as income, it will be discrepant with the long-term investment plan. Therefore, the investment was chosen as financial asset at fair value through other comprehensive profit and loss in measurement. Due to an investment adjustment in March 2022, an unrealized loss of NT\$25,497 thousand from a disposal of common shareholding of Hong Kong Leader Elastic Limited at fair value (under other equity interest – Financial assets at FVTOCI) was transferred to retained earnings.

IX. Financial Assets at Amortized Cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Restricted deposits	<u>\$ 230,769</u>	<u>\$ 221,866</u>
<u>Non-current</u>		
Restricted bank deposits	<u>\$ 117,634</u>	<u>\$ 289,073</u>

Restriction deposits of NT\$297,728 thousand (US\$10,700 thousand) and NT\$395,431 thousand (US\$13,348 thousand), respectively, in 2021 and 2020 were approved for repatriation under “Regulations Governing the Financial Investment of Repatriated Offshore Funds.” Both repatriations have been used for making investment propositions to Ministry of Economic Affairs and is restricted for other usage.

For information on pledged financial assets at amortized cost, refer to Note 31.

X. Notes Receivables and Trade Receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
At amortized cost	<u>\$ 56,857</u>	<u>\$ 140,824</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,105,390	\$ 2,981,500
Less: allowance for impairment loss	(<u>38,899</u>)	(<u>146,304</u>)
	<u>\$ 2,066,491</u>	<u>\$ 2,835,196</u>

The average credit period of sales of goods was 30 to 90, and no interest was charged on trade receivables. The Group uses its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. Lifetime ECLs are calculated using provision matrix, factoring into past default history and current financial standing of the customers, as well as industry condition and prospects. Based on the credit loss history, in terms of loss patterns, there have not been significant differences across the customer groups for the Group; therefore, a unified expected credit loss rate using the number of days overdue was determined, without assigning a provision matrix for individual customer group.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group does not have overdue notes receivable. The following table details the loss allowance of trade receivables:

	0–90 Days	91–120 Days	121–150 Days	151–180 Days	More than 181 Days	Total
<u>December 31, 2022</u>						
Expected credit loss rate	0.04-0.21%	0.04-3.10%	0.04-23.97%	0.04-100%	0.04-100%	
Gross carrying amount	\$ 1,870,668	\$ 128,112	\$ 50,261	\$ 12,952	\$ 43,397	\$ 2,105,390
Loss allowance (Lifetime ECLs)	(10,564)	(6,760)	(3,168)	(4,738)	(13,669)	(38,899)
Amortized cost	<u>\$ 1,860,104</u>	<u>\$ 121,352</u>	<u>\$ 47,093</u>	<u>\$ 8,214</u>	<u>\$ 29,728</u>	<u>\$ 2,066,491</u>
<u>December 31, 2021</u>						
Expected credit loss rate	1-4%	1-20%	1-40%	1-80%	1-100%	
Gross carrying amount	\$ 2,648,533	\$ 174,675	\$ 73,745	\$ 36,517	\$ 48,030	\$ 2,981,500
Loss allowance (Lifetime ECLs)	(35,111)	(25,862)	(22,870)	(25,227)	(37,234)	(146,304)
Amortized cost	<u>\$ 2,613,422</u>	<u>\$ 148,813</u>	<u>\$ 50,875</u>	<u>\$ 11,290</u>	<u>\$ 10,796</u>	<u>\$ 2,835,196</u>

The movements of the loss allowance of trade receivables were as follows:

	2022	2021
Balance at January 1	\$ 146,304	\$ 134,315
Recovery of bad debt written-off	75	-
Loss allowance made (recovered) for the year	(97,539)	18,694
Amount written off in the current period	(8,038)	(5,044)
Disposal of subsidiaries	(5,179)	-
Foreign exchange gain or loss	3,276	(1,661)
Balance at December 31	<u>\$ 38,899</u>	<u>\$ 146,304</u>

XI. Inventories

(I) Manufacturing

	December 31, 2022	December 31, 2021
Finished goods	\$ 1,272,078	\$ 1,205,360
Work in progress	618,556	634,134
Raw materials and supplies	1,105,261	1,096,277
Inventory in transit	55,398	99,870
	<u>\$ 3,051,293</u>	<u>\$ 3,035,641</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$9,725,130 thousand and \$9,188,399 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$245,627 thousand and NT\$128,912 thousand.

(II) Construction industry

	December 31, 2022	December 31, 2021
Construction under development	\$ -	\$ 1,867,336
Construction to be sold	<u>2,273,955</u>	<u>889,323</u>
	<u>\$ 2,273,955</u>	<u>\$ 2,756,659</u>

Construction under development

Location	Project Name	Expected Date of Completion	December 31, 2022	December 31, 2021
Xishan District, Wuxi	Paiho Commercial Plaza	2022	\$ -	\$ 1,867,336

Construction to be sold

Location	Project Name	December 31, 2022	December 31, 2021
Xishan District, Wuxi	Paiho International Mansion - Season One	\$ 274,500	\$ 330,057
	Paiho International Mansion - Season Two	273,437	559,266
	Paiho Business Plaza	<u>1,726,018</u>	<u>-</u>
		<u>\$ 2,273,955</u>	<u>\$ 889,323</u>

The cost of inventories recognized as cost of real estate sold for the year ended December 31, 2022 and 2021 was \$954,675 thousand and \$2,170,866 thousand, respectively.

XII. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

Investee	Subsidiary	Nature of Activities	Percentage of Ownership		Note
			December 31, 2022	December 31, 2021	
The Company	Paiho Int'l Limited	International investment	100	100	10
	Paiho Group Inc	International investment	100	100	-
	PT. Paiho Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	99	99	-
	Paiho North America Corporation	Sales of touch fasteners and various type of webbings	100	100	-
	Spring Rich Limited	Extra processing of webbings	100	100	-
	Vietnam Paiho Limited	Manufacture and extra processing on touch fasteners and various type of webbings	33	33	-
Paiho Int'l Limited	Paiho Shih Holdings Corporation	International investment	52	52	-
	Dongguan Paiho Business Service Limited	Non-residential property leasing	100	100	8
	He Mei Xing Ye Company Ltd.	Internal investment and trading	100	100	-
	Zhong Yuan Xing Ye Company Ltd.	International trading	100	100	-
	PT. Paiho Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	1	1	-

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Investee	Subsidiary	Nature of Activities	Percentage of Ownership		Note
			2022 December 31	2021 December 31	
Paiho Shih Holdings Corporation	Thomas Dynamic Material (jiangsu) Co., Ltd.	Processing of touch fasteners, webbing and embroidery	-	-	2 and 9
	Hong Kong Antex Limited	International investment	100	100	-
	Pai Lon International Trading Limited	International trading	-	100	5
	Hon Shin Corp.	Internal investment and trading	100	100	-
Hong Kong Antex Limited.	Taiwan Pailon Biotechnology Co., Ltd.	Production and sales of masks and non-woven fabrics	-	-	1
	Thomas Dynamic Material (jiangsu) Co., Ltd.	Processing of touch fasteners, webbing and embroidery	99.99	99.99	2
	Dongguan Paihong Industry Co., Ltd	Production and sale of touch fasteners, elastic, webbings, and jacquard engineered mesh, and consumer electronic accessories, etc.	-	-	2
	Wuxi Paiwei Biotechnology Co. Ltd.	Production and sales of masks and non-woven fabrics	100	100	2
Thomas Dynamic Material (jiangsu) Co., Ltd.	Dongguan Paihong Industry Co., Ltd	Production and sale of touch fasteners, elastic, webbings, and jacquard engineered mesh, and consumer electronic accessories, etc.	100	100	2
	Wuxi Paihong Real Estate Co., Ltd.	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration	100	100	-
	Wuxi Paiwei Biotechnology Co. Ltd.	Production and sales of masks and non-woven fabrics	-	-	2
Thomas Dynamic Material (jiangsu) Co., Ltd.	Shanghai Best Expectation Textile Trading Limited	Internal investment and trading	51	100	3 and 10
Dongguan Paihong Industry Co., Ltd	Shanghai Best Expectation Textile Trading Limited	Internal investment and trading	49	-	-
Shanghai Best Expectation Textile Trading Limited	Hong Kong Best Expectation International Trading Limited.	Internal investment and trading	100	-	4 and 10
Hon Shin Corp.	Vietnam Paihong Limited Company.	Production and sale of mesh and other fabrics.	-	100	10
Hong Kong Best Expectation International Trading Limited	Vietnam Paihong Limited Company.	Production and sale of mesh and other fabrics.	100	-	11
He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Manufacture and extra processing on touch fasteners and various type of webbings	67	67	10
Paiho Group Inc.	Paiho Holdings Limited.	International investment	100	100	-
Paiho Holdings Limited.	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	-	25	6
	China Star International Limited	Production & marketing of powder coating	100	100	-
	Braits Company Limited	International investment	100	100	-
Braits Company Limited	Wuxi Paisen Commerce Co., Ltd.	Non-residential property leasing	100	100	7
Wuxi Paisen Commerce Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	Processing of touch fasteners, webbing and embroidery	-	-	2 and 10
	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	-	75	6
China Star International Limited	Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	-	-	6

- Note 1: Liquidation of Taiwan Pai Lon Biotechnology Co., Ltd. completed on October 08, 2021.
- Note 2: The Corporation adjusted its group investment structure in China in 2021: Hong Kong Antex Limited acquired 4.2% and 2.59% shareholding of Thomas Dynamic Material (jiangsu) Co., Ltd. from Paiho Int'l limited and Wuxi Paisen Commerce Co., Ltd., respectively. Hong Kong Antex Limited acquired 100% shareholding of Wuxi Paiwei Biotechnology Co. Ltd. from Thomas Dynamic Material (jiangsu) Co., Ltd. And Thomas Dynamic Material (jiangsu) Co., Ltd acquired 34% shareholding of Dongguan Paihong Industry Co., Ltd from Hong Kong Antex Limited.
- Note 3: Shanghai Best Expectation Textile Trading Limited was created in December 2021.
- Note 4: Hong Kong Best Expectation International Trading Limited was created in December 2021 with the capital injected in June 2022.
- Note 5: The board of directors of Paiho Shih Holdings Corporation resolved to dissolve and liquidate Pai Lon International Trading Limited in November 2021, and the liquidation was completed in February 2022.
- Note 6: The investment structure in China was adjusted in 2021: Wuxi Paisen Commerce Co., Ltd acquired 75% shareholding of Dongguan Paiho Powder Coating Co., Ltd from China Star International Limited. The Corporation's Board of Directors has resolved, on May 6, 2022, to dispose shareholdings in Dongguan Paiho Powder Coating Co., Ltd to a non-related party. The ownership was transferred on July 31, 2022.
- Note 7: Wuxi Paisem Chemical Fibre Co., Ltd. was renamed to Wuxi Paisen Commerce Co., Ltd. in 2021.
- Note 8: Dongguan Paiho Textile Limited was renamed to Dongguan Paiho Business Service Co., Ltd in 2021.
- Note 9: Wuxi Paiho Textile Co., Ltd was renamed to Thomas Dynamic Material (jiangsu) Co., Ltd in 2022.
- Note 10: Hon Shin Corp sold its holdings of Vietnam Paihong Limited Company to Hong Kong Best Expectation International Trading Limited in December 2022.

The reinvestment structure as of December 31, 2022 and 2021 is shown in Tables 12 and 13.

See Tables 9 and 10 for the information on places of incorporation and principal places of business for each subsidiary.

(II) Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31, 2022	December 31, 2021
Paiho Shih Holdings Corporation	48%	48%

Name of Subsidiary	Profit (loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	2022	2021	December 31, 2022	December 31, 2021
Paiho Shih Holdings Corporation and subsidiaries	<u>\$ 268,371</u>	<u>\$ 606,267</u>	<u>\$ 2,703,831</u>	<u>\$ 2,869,868</u>

Paiho Shih Holdings Corporation and subsidiaries

	December 31, 2022	December 31, 2021
Current assets	\$ 6,911,790	\$ 7,805,473
Non-current assets	10,866,870	7,402,760
Current liabilities	(10,870,581)	(5,010,565)
Non-current liabilities	(1,337,691)	(4,269,084)
Equity	<u>\$ 5,570,388</u>	<u>\$ 5,928,584</u>
Equity attributed to:		
Owners of Paiho Shih Holdings Corporation	\$ 2,866,557	\$ 3,058,716
Non-controlling interests of Paiho Shih Holdings Corporation and subsidiaries	<u>2,703,831</u>	<u>2,869,868</u>
	<u>\$ 5,570,388</u>	<u>\$ 5,928,584</u>
	2022	2021
Revenue	<u>\$ 8,072,805</u>	<u>\$ 10,141,094</u>
Profit for the year	\$ 555,863	\$ 1,332,568
Other comprehensive income for the year	(53,561)	(24,323)
Total comprehensive income for the year	<u>\$ 502,302</u>	<u>\$ 1,308,245</u>
Net income attributable to:		
Owners of Paiho Shih Holdings Corporation	\$ 287,492	\$ 726,301
Non-controlling interests of Paiho Shih Holdings Corporation's subsidiaries	<u>268,371</u>	<u>606,267</u>
	<u>\$ 555,863</u>	<u>\$ 1,332,568</u>
Total comprehensive income attributed to:		
Owners of Paiho Shih Holdings Corporation	\$ 251,860	\$ 745,346
Non-controlling interests of Paiho Shih Holdings Corporation's subsidiaries	<u>250,442</u>	<u>562,899</u>
	<u>\$ 502,302</u>	<u>\$ 1,308,245</u>
Cash flow		
Operating activities	\$ 692,106	\$ 397,784
Investing activities	(2,839,237)	(387,271)
Financing activities	<u>2,437,790</u>	<u>(2,758,941)</u>
Net cash inflow (outflow)	<u>\$ 290,659</u>	<u>(\$ 2,748,428)</u>

XIII. Property, plant and equipment

2022	Land	Buildings	Machinery and Equipment	Transportatio n Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 577,902	\$7,835,714	\$8,431,542	\$ 283,063	\$ 872,550	\$1,105,810	\$19,106,581
Additions	42,031	96,325	101,273	10,425	150,157	3,050,874	3,451,085
Disposals	-	(34,537)	(374,454)	(25,122)	(30,245)	-	(464,358)
Disposal of subsidiaries(Note 27)	-	(17,468)	(4,742)	-	(97)	-	(22,307)
Reclassified Amount	-	1,781,997	518,246	7,072	32,632	(1,323,069)	1,016,878
Net exchange translation adjustment	<u>8,157</u>	<u>598,550</u>	<u>558,434</u>	<u>17,710</u>	<u>57,527</u>	<u>125,612</u>	<u>1,365,990</u>
Balance at December 31, 2022	<u>\$ 628,090</u>	<u>\$10,260,581</u>	<u>\$9,230,299</u>	<u>\$ 293,148</u>	<u>\$1,082,524</u>	<u>\$2,959,227</u>	<u>\$24,453,869</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$1,962,636	\$4,078,628	\$ 154,968	\$ 581,370	\$ -	\$6,777,602
Impairment losses	-	-	46,963	-	-	-	46,963
Depreciation expense	-	379,947	672,360	18,625	108,913	-	1,179,845
Disposals	-	(29,513)	(362,999)	(23,396)	(28,534)	-	(444,442)
Disposal of subsidiaries(Note 27)	-	(12,988)	(3,192)	-	(90)	-	(16,270)
Net exchange translation adjustment	<u>-</u>	<u>103,771</u>	<u>236,200</u>	<u>9,277</u>	<u>29,143</u>	<u>-</u>	<u>378,391</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$2,403,853</u>	<u>\$4,667,960</u>	<u>\$ 159,474</u>	<u>\$ 690,802</u>	<u>\$ -</u>	<u>\$7,922,089</u>
Balance at December 31, 2022, net.	<u>\$ 628,090</u>	<u>\$7,856,728</u>	<u>\$4,562,339</u>	<u>\$ 133,674</u>	<u>\$ 391,722</u>	<u>\$2,959,227</u>	<u>\$16,531,780</u>
<u>2021</u>							
<u>Cost</u>							
Balance at January 1, 2021	\$ 578,056	\$7,498,220	\$8,303,863	\$ 276,572	\$ 824,261	\$1,159,586	\$18,640,558
Additions	-	41,969	192,103	30,120	115,298	396,551	776,041
Disposals	-	(38,806)	(231,822)	(25,155)	(76,845)	-	(372,628)
Reclassified amount	2,000	487,553	316,627	6,406	23,077	(440,349)	395,314
Net exchange translation adjustment	<u>(2,154)</u>	<u>(153,222)</u>	<u>(149,229)</u>	<u>(4,880)</u>	<u>(13,241)</u>	<u>(9,978)</u>	<u>(332,704)</u>
Balance at December 31, 2021	<u>\$ 577,902</u>	<u>\$7,835,714</u>	<u>\$8,431,542</u>	<u>\$ 283,063</u>	<u>\$ 872,550</u>	<u>\$1,105,810</u>	<u>\$19,106,581</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$1,715,855	\$3,599,270	\$ 151,723	\$ 566,361	\$ -	\$6,033,209
Additions	-	310,307	767,065	29,000	98,757	-	1,205,129
Disposals	-	(38,713)	(224,041)	(23,238)	(73,708)	-	(359,700)
Reclassified amount	-	-	1,952	-	(1,952)	-	-
Net exchange translation adjustment	<u>-</u>	<u>(24,813)</u>	<u>(65,618)</u>	<u>(2,517)</u>	<u>(8,088)</u>	<u>-</u>	<u>(101,036)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$1,962,636</u>	<u>\$4,078,628</u>	<u>\$ 154,968</u>	<u>\$ 581,370</u>	<u>\$ -</u>	<u>\$6,777,602</u>
Balance at December 31, 2021, net.	<u>\$ 577,902</u>	<u>\$5,873,078</u>	<u>\$4,352,914</u>	<u>\$ 128,095</u>	<u>\$ 291,180</u>	<u>\$1,105,810</u>	<u>\$12,328,979</u>

The Corporation is located in Hemei Town, Changhua County, with an area of 55 square meters in the Hemei section of land (recorded as self-owned land for NT\$264 thousand), 2,597 square meters in the Zhongxiao section of land (recorded as self-owned land for NT\$8,773 thousand), and 9,774 square meters in the Tiaoxing section of land (recorded as self-owned land for NT\$84,424 thousand). These are agricultural lands temporarily registered in the names of others, with the Corporation as the rights holder and establishment of a certificate of other rights which stipulates that the Corporation has the ownership of the land.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	2 to 60 years
Electromechanical power equipment	3 to 20 years
Engineering system	5 to 25 years
Others	3 to 10 years
Machinery and equipment	2 to 16 years
Transportation equipment	2 to 15 years
Miscellaneous equipment	2 to 35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 31.

XIV. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts of right-of-use assets		
Land	\$ 1,466,599	\$ 1,334,898
Buildings	55,358	127,137
Transportation equipment	<u>762</u>	<u>1,571</u>
	<u>\$ 1,522,719</u>	<u>\$ 1,463,606</u>
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	<u>\$ 53,204</u>	<u>\$ 17,135</u>
Depreciation charge of right-of-use assets		
Land	\$ 37,411	\$ 35,212
Buildings	29,612	33,343
Transportation equipment	<u>821</u>	<u>821</u>
	<u>\$ 67,844</u>	<u>\$ 69,376</u>

The land leased by the Group in Wuxi, mainland China has been sub-leased as an operating lease since 2014, and the relevant right-of-use assets are recorded as investment properties. Please refer to Note 15. The above-mentioned amount of right-of-use assets does not include right-of-use assets that meet the definition of investment properties.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts of lease liabilities		
Current	\$ 17,917	\$ 30,458
Non-current	<u>38,014</u>	<u>96,613</u>
	<u>\$ 55,931</u>	<u>\$ 127,071</u>

The discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	0.98%-5.00%	0.98%-5.00%
Transportation equipment	3.85%	3.85%

(III) Material leasing activities and terms

The Group has leased land and buildings for plants, offices, employee dormitories or operation production and warehousing. Lease terms range from 1 to 50 years. No right of first refusal is attached to such leased properties at the end of lease term.

(IV) Other lease information

Lease arrangements under operating leases of the Group as lessor of investment properties are set out in Note 15.

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 18,199</u>	<u>\$ 12,587</u>
Expenses relating to low-value asset leases	<u>\$ 16,024</u>	<u>\$ 18,367</u>
Total cash outflow from leasing activities.	<u>(\$ 57,897)</u>	<u>(\$ 97,699)</u>

No right-of-use assets and lease liabilities shall be recognized for buildings qualified for short-term lease and other equipment qualified for low-value asset when the Group elects to apply recognition exemption.

XV. Investment Property

<u>2022</u>	<u>Beginning Balance of the Year</u>	<u>Addition</u>	<u>Net Exchange Translation Adjustment</u>	<u>Ending Balance of the Year</u>
<u>Cost</u>				
Completed investment properties	\$ 171,560	\$ -	\$ 2,685	\$ 174,245
Right-of-use assets	<u>16,033</u>	<u>-</u>	<u>251</u>	<u>16,284</u>
Total cost	<u>187,593</u>	<u>\$ -</u>	<u>\$ 2,936</u>	<u>190,529</u>
<u>Accumulated depreciation</u>				
Completed investment properties	43,543	\$ 5,476	\$ 928	49,947
Right-of-use assets	<u>1,185</u>	<u>384</u>	<u>36</u>	<u>1,605</u>
Total accumulated depreciation	<u>44,728</u>	<u>\$ 5,860</u>	<u>\$ 964</u>	<u>51,552</u>
Net amount of investment properties	<u>\$ 142,865</u>			<u>\$ 138,977</u>
<u>2021</u>				
<u>Cost</u>				
Completed investment properties	\$ 172,482	\$ -	(\$ 922)	\$ 171,560
Right-of-use assets	<u>16,119</u>	<u>-</u>	<u>(86)</u>	<u>16,033</u>
Total cost	<u>188,601</u>	<u>\$ -</u>	<u>(\$ 1,008)</u>	<u>187,593</u>
<u>Accumulated depreciation</u>				
Completed investment properties	38,112	\$ 5,648	(\$ 217)	43,543
Right-of-use assets	<u>794</u>	<u>396</u>	<u>(5)</u>	<u>1,185</u>
Total accumulated depreciation	<u>38,906</u>	<u>\$ 6,044</u>	<u>(\$ 222)</u>	<u>44,728</u>
Net amount of investment properties	<u>\$ 149,695</u>			<u>\$ 142,865</u>

Right-of-use assets classified as investment properties are the land in Wuxi, China, which the Group subleases under operating lease.

The term of the sublease of the investment properties is 7 years, with an option to extend for an additional 5 years. When the lessee exercises the option, the original contract is extended. The lessee does not have bargain purchase option to acquire the investment properties at the expiry of the lease period.

Lease payments that the Corporation will receive in the future for leasing investment properties under operating leases are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Year 1	\$ 18,940	\$ 16,780
Year 2	19,577	18,665
Year 3	19,577	19,293
Year 4	4,894	19,293
Year 5	-	4,823
	<u>\$ 62,988</u>	<u>\$ 78,854</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Completed investment properties	20 years
Right-of-use assets	50 years

The investment properties located at Wuxi, China, are the plant and land used for leasing. Because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available, the Group determined that the fair value of the investment properties is not reliably measurable.

XVI. Goodwill

	<u>2022</u>	<u>2021</u>
<u>Cost</u>		
Balance at January 1	\$ 191,041	\$ 204,735
Impairment losses	(23,820)	(8,277)
Disposal of subsidiaries (Note 27)	(4,791)	-
Effect of foreign currency exchange differences	<u>18,601</u>	<u>(5,417)</u>
Balance at December 31	<u>\$ 181,031</u>	<u>\$ 191,041</u>

XVII. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Tax overpayment for offset with future tax payable	\$ 822,106	\$ 509,005
Prepayments	38,770	95,645
Prepaid expenses	50,972	33,401
Others	<u>28,246</u>	<u>41,113</u>
	<u>\$ 940,094</u>	<u>\$ 679,164</u>
<u>Non-current</u>		
Refundable deposits	\$ 52,192	\$ 51,547
Others	<u>31,919</u>	<u>18,458</u>
	<u>\$ 84,111</u>	<u>\$ 70,005</u>

XVIII. Borrowings

(I) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Line of credit borrowings	<u>\$ 6,659,884</u>	<u>\$ 2,863,774</u>
Line of credit borrowings(%)	3.00-8.00	0.71-4.05

(II) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Line of credit borrowing – from January 2023 to December 2026	\$ 4,334,666	\$ 4,624,644
Line of secured l borrowing– from January 2024 to August 2026	<u>1,023,034</u>	<u>1,199,075</u>
	5,357,700	5,823,719
Less: Current portion	(<u>4,629,791</u>)	(<u>576,310</u>)
Long-term borrowings	<u>\$ 727,909</u>	<u>\$ 5,247,409</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	1.68-6.23	0.70-3.75
Line of secured borrowings	1.79-6.20	1.79-2.71

Please refer to Note 31 for the details of long-term borrowings secured by the Group's assets.

The Corporation signed a syndicated loan of NT\$1.5 billion from financial institutions including Bank of Taiwan in July 2021 for the purpose of repaying loans from financial institutions and enriching the medium-term working capital. The validity period of the contract is 5 years. The credit line is divided into lines A and B: line A is a medium-term loan line of NT\$1.5 billion, and line B is NT\$900 million as the guarantee for the issuance of commercial promissory notes. The two lines share no more than the total credit line in force at that time, and can revolve within the term of the credit contract. According to the provisions of the loan contract, the Corporation shall achieve the following in the annual consolidated financial statements during the loan period:

1. The current ratio [current assets ÷ current liabilities] shall not be less than 100%;
2. The debt ratio ([total liabilities - advance real estate receipts (classified as contract liabilities - current)] / tangible net assets) shall be less than or equal to 180%;
3. The Interest coverage ratio (profit before income tax plus interest expense, depreciation and amortization amount ÷ interest expense) shall be more than or equal to 4 times, and

4. Total tangible net assets (total equity - intangible assets) shall not be less than NT\$6 billion.

Furthermore, the Corporation cannot dispose any material assets or rights and repurchase stocks or reduce capital without the permissions of the creditor banks during the loan period.

A drawn loan of NT\$898,388 thousand was reclassified as current liabilities by the Corporation on December 31, 2022 as the consolidated current ratio did not meet the requirement under the covenant of the syndicated loan. As of the date the consolidated financial statements were authorized for issue, an exemption was granted by the syndicate to waive the requirement for the consolidated current ratio at the end 2022. There have not been significant effects to the business operation and the financial positions.

In order to repay the loans, support overseas investment and provide sufficient operation funds, Paiho Shih Holdings Corporation obtained a syndicated loan with a credit line of US\$220 million from KGI Commercial Bank and multiple financial institutions in July 2021. To accommodate the new investment structure of the Group and needed capital from each group company, the borrowing entities have changed to Paiho Shih Holdings Corporation and Hong Kong Best Expectation International Trading Limited. With adjusted credit lines of US\$70 million and US\$150 million, respectively, after the completion of contract signing in October and November in 2022. According to the provisions of the loan contract, Paiho Shih Holdings Corporation shall achieve the following in the annual consolidated financial statements during the loan period:

1. The current ratio [current assets ÷ current liabilities minus advance real estate receipts (classified as contractual liabilities – current)] not less than 100%;
2. The debt ratio [total liabilities minus advance real estate receipts (classified as contractual liabilities - current) ÷ net tangible assets] shall not be higher than 200%;
3. The interest coverage ratio [profit before income tax plus interest expense, depreciation and amortization amount ÷ interest expense] shall not be less than 3 times and;
4. The tangible net assets [total equity - intangible assets] shall not be less than NT\$3.5 billion.

Furthermore, Paiho Shih Holdings Corporation commits not to dispose of any material assets or rights and not to repurchase its stocks or reduce capital without the permissions of most of the creditor banks during the loan contract period.

A drawn loan of NT\$3,024,235 thousand was reclassified as current liabilities on December 31, 2022 as the current ratio from Paiho Shih Holdings at 2022 end did not meet the requirement under the covenant of the syndicated loan. Top executives from the Group notified the lead bank immediately and negotiated the covenant for loan renewal. As of the date the consolidated financial statements were authorized for issue, an exemption was granted by the syndicate to waive the requirements for the current and debt ratios from Paiho Shih Holdings Corporation and Hong Kong Best Expectation International Trading Limited in the consolidated financial statement at the end 2022. There have not been significant effects to the business operation and the financial positions. In addition, Paiho Shih Holdings has agreed to keep a debt ratio of 280% or lower before the consolidated financial statement from the second quarter, 2023. Also, starting from the first rate adjustment date, interest applied to the loan principal unpaid will be calculated using the reference rate plus 1.25%.

XIX. Other Payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries and bonuses	\$ 871,721	\$ 975,498
Payables for purchases of building and equipment	186,175	21,767
Payables for compensation of employees and remuneration of directors	106,447	116,598
Others	<u>455,722</u>	<u>546,038</u>
	<u>\$ 1,620,065</u>	<u>\$ 1,659,901</u>

XX. Retirement Benefit Plan

(I) Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China and Vietnam and Indonesia are members of a state-managed retirement benefit plans operated by the governments of China and Vietnam. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

(II) Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund

monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

Defined benefit plan is applicable for some employees working in subsidiaries.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 455,903	\$ 485,851
Fair value of plan assets	(256,337)	(219,751)
Net defined benefit liabilities	<u>\$ 199,566</u>	<u>\$ 266,100</u>

Movements in the fair value of the plan liabilities (assets) were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 485,851</u>	(\$ 219,751)	<u>\$ 266,100</u>
Service costs			
Current service cost	15,576	-	15,576
Plan components	(155)	-	(155)
Net interest expense (income)	<u>3,333</u>	(1,492)	<u>1,841</u>
Recognized in profit or loss	<u>18,754</u>	(1,492)	<u>17,262</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(17,279)	(17,279)
Actuarial loss - changes in demographic assumptions	(1,240)	-	(1,240)
Actuarial loss - changes in financial assumptions	(28,576)	-	(28,576)
Actuarial loss - experience adjustments	(12,064)	-	(12,064)
Recognized in other comprehensive income	(41,880)	(17,279)	(59,159)
Contributions from the employer	-	(24,637)	(24,637)
Benefits paid	(6,822)	<u>6,822</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 455,903</u>	(\$ 256,337)	<u>\$ 199,566</u>

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 501,780</u>	<u>(\$ 218,837)</u>	<u>\$ 282,943</u>
Service costs			
Current service cost	17,059	-	17,059
Plan components	(446)	-	(446)
Net interest expense (income)	<u>1,456</u>	<u>(634)</u>	<u>822</u>
Recognized in profit or loss	<u>18,069</u>	<u>(634)</u>	<u>17,435</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,190)	(3,190)
Actuarial loss - changes in demographic assumptions	1,056	-	1,056
Actuarial loss - changes in financial assumptions	(21,605)	-	(21,605)
Actuarial loss - experience adjustments	<u>2,508</u>	<u>-</u>	<u>2,508</u>
Recognized in other comprehensive income	<u>(18,041)</u>	<u>(3,190)</u>	<u>(21,231)</u>
Contributions from the employer	-	(13,047)	(13,047)
Benefits paid	<u>(15,957)</u>	<u>15,957</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 485,851</u>	<u>(\$ 219,751)</u>	<u>\$ 266,100</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.30%	0.70%
Expected rates of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increased by 0.25%	(\$ 10,994)	(\$ 12,879)
Decreased by 0.25%	\$ 11,465	\$ 13,455
Expected rates of salary increase		
Increased by 0.25%	\$ 11,356	\$ 13,217
Decreased by 0.25%	(\$ 10,946)	(\$ 12,720)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan for the next year	\$ 3,563	\$ 3,720
Average duration of the defined benefit obligation	8 years	9 years

Paiho Int'l Limited, Paiho Group Inc., Paiho Holdings Limited, Braits Company Limited, Pai lon International Trading Limited, Hon Shih Corp., He Mei Xing Ye Company Ltd. and Zhong Yuan Xing Ye Company Ltd. are foreign corporations which have not established pension plan. Hong Kong Antex Limited has no employee. Therefore, the corporation has not established a pension plan.

Paiho North America Corporation has not established a pension plan.

XXI. Maturity Analysis of Assets and Liabilities

The current and non-current classifications of the Consolidated Company's assets and liabilities relating to the construction business are based on the operating cycle. The amounts of assets and liabilities expected to be recovered or settled within 1 year and more than 1 year after the reporting period are as follows:

	Within 1 Year	After 1 Year	Total
<u>December 31, 2022</u>			
Assets			
Trade receivables	\$ 273	\$ -	\$ 273
Other receivables	985	-	985
Inventories – constructiing	2,273,955	-	2,273,955
Other current assets	89,928	-	89,928
	<u>\$ 2,365,141</u>	<u>\$ -</u>	<u>\$ 2,365,141</u>
Liabilities			
Trade payables	\$ 404,329	\$ -	\$ 404,329
Other payables	42,736	-	42,736
Contractual liabilities	7,538	-	7,538
	<u>\$ 454,603</u>	<u>\$ -</u>	<u>\$ 454,603</u>
<u>December 31, 2021</u>			
Assets			
Trade receivables	\$ 439	\$ -	\$ 439
Other receivables	3,086	-	3,086
Inventories – constructing	2,756,659	-	2,756,659
Other current assets	126,713	-	126,713
	<u>\$ 2,886,897</u>	<u>\$ -</u>	<u>\$ 2,886,897</u>
Liabilities			
Trade payables	\$ 338,749	\$ -	\$ 338,749
Other payables	156,420	-	156,420
Contractual liabilities	954,748	-	954,748
	<u>\$ 1,449,917</u>	<u>\$ -</u>	<u>\$ 1,449,917</u>

XXII. Equity

(I) Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (thousand shares)	<u>380,000</u>	<u>380,000</u>
Shares authorized	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>297,964</u>	<u>297,964</u>
Shares issued	<u>\$ 2,979,639</u>	<u>\$ 2,979,639</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

(II) Capital surplus

The capital surplus which belongs to the premium of stock issuance, the difference between the actual price of the equity of the subsidiary acquired or disposed of and the book value, and donated assets can be used to make up for losses, and can also be used for cash distribution or share capital appropriation when the Corporation has no loss. For share capital appropriation, it is limited to a certain ratio of paid-in capital every year.

(III) Retained earnings and dividend policy

According to the earnings distribution policy of the Corporation's Articles of Incorporation, if there are earnings in the Company's annual final accounts, the Corporation shall first pay taxes to make up for the accumulated loss over the years, and 10% shall be allocated as the legal reserve, and a special reserve shall be allocated or reversed in accordance with the regulations or the competent authority's requirement. If there is still a surplus, the balance shall be added to the accumulated undistributed earnings of the previous year, and the board of directors shall draft a distribution proposal accordingly. When new shares are to be issued for it, the decision shall be submitted to the shareholders' meeting for a resolution before distribution. When all or part of the Corporation's dividends and bonuses, legally distributable legal reserve and capital surplus are distributed in cash, in accordance with Item 5, Article 240 of the Company Act, the board of directors is authorized to make a resolution in a board meeting attended by more than two-thirds of the directors, with the approval of more than half of the attending directors obtained; the resolution shall be reported to the shareholders' meeting.

Please refer to Note 24 (3) Remuneration of Employees and Directors for the distribution policy of remuneration for employees and directors which is stipulated in the Articles of Incorporation of the Corporation.

In addition, in accordance with the provisions of the Corporation's Articles of Incorporation that the dividend policy shall be in line with the overall environment and the characteristics of the mature industry, with consideration of the impact of future expansion of operations, capital requirements and taxation on the Corporation and shareholders, the Corporation's dividend distribution will be adjusted according to its profitability to maintain a stable growth of earnings per share; the dividend distribution ratio shall be no less than 25% of the current year's after-tax earnings after making up for the previous year's losses, the allocation of legal reserve, and the deduction of the other undistributed earnings of the current year. The cash dividend shall not be less than 15% of the total dividends, and the rest shall be paid in stocks.

The legal reserve shall be allocated until the balance reaches the total paid-in share capital of the Corporation. The legal reserve can be used to make up for losses. When the Corporation has no losses, the portion of the legal reserve exceeding 25% of the total paid-in share capital can be allocated in cash in addition to being allocated to capital.

The appropriation of earnings of the company for 2021 and 2020 are as follows, respectively:

	2021	2020
Legal reserve	\$ <u>201,015</u>	\$ <u>153,010</u>
Special reserve	\$ <u>164,901</u>	\$ <u>123,855</u>
Cash dividend	\$ <u>1,042,874</u>	\$ <u>893,892</u>
Cash dividend per share (NT\$)	\$ 3.5	\$ 3

(IV) Special reserve

The special reserve allocated for the conversion difference of the financial statements of foreign operating agencies (including subsidiaries) has been reversed based on the disposal ratio and due to the liquidation of the subsidiaries. When distributing the earnings, the difference between the net deduction of other shareholders' equity and the special reserve stated in the first application of IFRSs should be added to the special reserve at the end of the reporting period. Reversal of the net deduction of other shareholders' equity may be appropriated when it is subsequently reverted.

XXIII. Revenue and Costs

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 14,897,635	\$ 14,823,696
Revenue from sale of real estate	<u>1,372,751</u>	<u>3,464,090</u>
	<u>\$ 16,270,386</u>	<u>\$ 18,287,786</u>
Operating cost		
Cost of goods sold	\$ 9,725,130	\$ 9,188,399
Cost of real estate sold	<u>954,675</u>	<u>2,170,866</u>
	<u>\$ 10,679,805</u>	<u>\$ 11,359,265</u>

Contract Balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contractual liabilities – current		
Sales of real estate	\$ 7,538	\$ 954,748
Sale of goods	<u>25,020</u>	<u>43,581</u>
	<u>\$ 32,558</u>	<u>\$ 998,329</u>

XXIV. Net Profit from Continuing Operations

(I) Finance costs

	<u>2022</u>	<u>2021</u>
Interest on bank borrowings	\$ 286,860	\$ 132,947
Interest on lease liabilities	<u>2,892</u>	<u>4,950</u>
	<u>\$ 289,752</u>	<u>\$ 137,897</u>

Information about capitalized interest:

	<u>2022</u>	<u>2021</u>
Capitalized interest amount	\$ 14,280	\$ 19,673
Capitalization rate (%)	1.79-6.14	1.79-2.33

(II) Employee benefit expenses, depreciation and amortization expenses

By Nature	Operating Costs	Operating Expenses and Non-operating Expenses	Total
<u>For the Year Ended December 31,</u> <u>2022</u>			
Short-term employee benefits	\$ 1,656,007	\$ 1,778,201	\$ 3,434,208
Retirement Benefit Plan			
Defined contribution plans	143,327	68,879	212,206
Defined benefit plans (Note 20)	1,204	16,058	17,262
Other employee benefits	167,970	74,204	242,174
Depreciation expenses	1,031,371	222,178	1,253,549
Amortization expenses	397	1,055	1,452
<u>For the Year Ended December 31,</u> <u>2021</u>			
Short-term employee benefits	1,941,245	1,821,783	3,763,028
Retirement Benefit Plan			
Defined contribution plans	125,741	65,751	191,492
Defined benefit plans (Note 20)	1,328	16,107	17,435
Other employee benefits	152,496	64,064	216,560
Depreciation expenses	1,042,298	238,251	1,280,549
Amortization expenses	93	738	831

(III) Employees' compensation and remuneration of directors

According to the articles of incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021 which have been resolved by the Corporation's board of directors on March 15, 2023 and March 25, 2022, respectively, were as follows:

Cash	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1.36%	\$ 26,736	1.38%	\$ 36,220
Remuneration of directors	0.87%	17,233	0.89%	23,347

If the amount of the annual consolidated financial report is still subject to changes after the date of publication, such changes shall be treated as accounting estimate changes and adjusted and recorded in the next year.

The actual appropriations to employees and directors for the period of 2021 and 2020 were different from the amount recognized in the corresponding consolidated financial reports. The differences were adjusted to the profit and loss in the period of 2022 and 2021, respectively.

	2021		2020	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amount resolved in the board of directors' meeting	\$ 36,220	\$ 33,347	\$ 27,288	\$ 17,589
Amount recognized in annual financial statement	\$ 36,372	\$ 23,458	\$ 27,367	\$ 17,654

Information on the employee compensation and remuneration to directors resolved by the board of directors for the period of 2023 and 2022 is available on the "Market Observation Post System" website of the TWSE.

(IV) Gains or losses on foreign currency exchange

	2022	2021
Foreign exchange gains	\$ 343,363	\$ 216,060
Foreign exchange losses	(231,850)	(233,535)
Net gain (loss)	\$ 111,513	(\$ 17,475)

XXV. Income Taxes

(I) Major components of income tax expense recognized in profit or loss

	2022	2021
Current tax		
In respect of the current year	\$ 611,244	\$ 1,049,073
Income tax on unappropriated earnings	20,888	17,448
Adjustment for previous year	(103,957)	(127,559)
Land value increment tax	51,789	253,847
	579,964	1,192,809
Deferred tax		
In respect of the current year	201,889	168,038
Adjustments to deferred tax attributable to changes in tax rates and laws	\$ 781,853	\$ 1,360,847

A reconciliation of accounting profit and income tax expense is as follows:

	2022	2021
Income tax expense calculated		
at the statutory rate	\$ 1,117,196	\$ 1,766,346
Permanent differences	(297,340)	(539,076)
Tax credits of research and		
development expenses	(31,043)	(26,608)
Temporary differences	(44,680)	51,336
Income tax on unappropriated		
earnings	20,888	17,448
Deduction of loss incurred in		
the current period	69,000	(5,301)
Adjustments for prior years' tax	(103,957)	(127,559)
Land value increment tax	51,789	253,847
Tax cut on repatriated funds	-	(29,586)
Income tax expense recognized		
in profit or loss	<u>\$ 781,853</u>	<u>\$ 1,360,847</u>

The corporate income tax rate is 20% according to the Income Tax Act in the ROC. The applicable tax rate used by subsidiaries in China was 25%. Tax rates used by other entities in the Group which operate in other jurisdictions were based on the tax laws in those jurisdictions.

An income tax rate of 25% was applied to Thomas Dynamic Material (jiangsu) Co., Ltd and Dongguan Paihong Industry Co., Ltd Entities certified as high-tech enterprises are qualified for a preferential tax rate of 15% over a 3-year period according to Measures for Determination of High and New Tech Enterprises under Enterprise Income Tax Law of the People's Republic of China (revised). Thomas Dynamic Material (jiangsu) Co., Ltd will be able to adopt the preferential tax rate, 15%, until 2024. It first received the high-tech enterprise certification in 2010, after the review in 2013 and renewal approvals in 2016, 2019 and 2022. Dongguan Paihong Industry Co., Ltd will be able to adopt the preferential tax rate for 2023. It first received the high-tech enterprise certification in 2015, follow by renewal approvals in 2018 and 2021.

An income tax rate of 25% was applied to Wuxi Paihong Real Estate Co., Ltd. and Wuxi Paiwei Biotechnology Co., Ltd.

An income tax rate of 22% was applied to PT. Paiho Indonesia for the period of 2022 and 2021.

An income tax rate of 20% was applied to Vietnam Paiho Limited for the period of 2022 and 2021. According to Vietnam tax law applicable for foreign investment, profits generated by newly made investment are entitled for "2-year exemption and 2-year half payment" preferential treatment starting from the year of such profits.

Vietnam Paihong Limited Company is qualified for adopting “2-year exemption and 4-year half payment” preferential treatment, instead of a statutory rate of 20%, starting from the year of such profits. Loss shall not be carried forward for more than three years, if losses incurred for three consecutive years, a tax holiday shall begin for the following year.

According to Provisional Regulations of P.R.C on Land Appreciation Tax, effectuated 1994, and Rules for the Implementation of the Interim Regulations of P.R.C. on Value-added Taxes, effectuated on January 27, 1995, a progressive land appreciation Tax, 30% to 60%, will be imposed on income generated from trading of land rights and buildings with their attached facilities. Ordinary standard residences with an appreciation amount lower than 20% of its sum of deductible items are exempt from such a tax obligation.

The Group, based on the request of the local tax authority, needs to make partial prepayment for land value added taxes (classified as other current assets – other) for presale of properties and sales of properties.

(II) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	\$ 8,405	\$ 2,067
Translation of foreign operations	<u>134,259</u>	(<u>41,225</u>)
	<u>\$ 142,664</u>	(<u>\$ 39,158</u>)

(III) Deferred tax assets and liabilities

Changes of deferred tax assets and liabilities:

2022	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory value decline	\$ 56,649	(\$ 7,642)	\$ -	\$ 49,007
Defined benefit obligation	25,423	(4,404)	(8,405)	12,614
Profit from associates	11,060	(3,509)	-	7,551
Doubtful debts	9,669	(5,316)	-	4,353
Exchange difference on foreign operations	125,671	-	(125,671)	-
Unrealized foreign currency exchange loss	2,382	(2,382)	-	-
Others	<u>123,504</u>	<u>(17,648)</u>	<u>-</u>	<u>105,856</u>
	<u>\$ 354,358</u>	<u>(\$ 40,901)</u>	<u>(\$ 134,076)</u>	<u>\$ 179,381</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unappropriated earnings from subsidiaries	\$1,279,570	\$ 151,099	\$ -	\$1,430,669
Exchange differences on translating foreign operations	-	-	8,588	8,588
Unrealized exchange profit	-	14,123	-	14,123
Others	<u>104,446</u>	<u>(4,234)</u>	<u>-</u>	<u>100,212</u>
	<u>\$1,384,016</u>	<u>\$ 160,988</u>	<u>\$ 8,588</u>	<u>\$1,553,592</u>
<u>2021</u>				
<u>Deferred tax assets</u>				
Temporary difference				
Allowance for inventory value decline	\$ 57,640	(\$ 991)	\$ -	\$ 56,649
Defined benefit obligation	29,587	(2,097)	(2,067)	25,423
Profit from associates	12,918	(1,858)	-	11,060
Doubtful debts	7,879	1,790	-	9,669
Exchange difference on foreign operations	84,446	-	41,225	125,671
Unrealized foreign currency exchange loss	5,310	(2,928)	-	2,382
Others	<u>87,812</u>	<u>35,692</u>	<u>-</u>	<u>123,504</u>
	<u>\$ 285,592</u>	<u>\$ 29,608</u>	<u>\$ 39,158</u>	<u>\$ 354,358</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Unappropriated earnings from subsidiaries	\$1,126,739	\$ 152,831	\$ -	\$1,279,570
Others	<u>59,631</u>	<u>44,815</u>	<u>-</u>	<u>104,446</u>
	<u>\$1,186,370</u>	<u>\$ 197,646</u>	<u>\$ -</u>	<u>\$1,384,016</u>

- (IV) Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss carryforwards		
Expiry in 2022	\$ -	\$ 44,476
Expiry in 2023	272,340	272,340
Expiry in 2024	450,751	450,751
Expiry in 2025	507,853	507,853
Expiry in 2026	363,048	363,048
Expiry in 2027	<u>496,655</u>	<u>-</u>
	<u>\$ 2,090,647</u>	<u>\$ 1,638,468</u>

- (V) Unused Loss Carryforward

Loss carryforward as of December 31, 2022

<u>Total Unused Loss</u> <u>Carryforward</u>	<u>Available Until</u>
\$ 272,340	2023
450,751	2024
507,853	2025
363,048	2026
<u>809,297</u>	2027
<u>\$ 2,403,289</u>	

- (VI) Income tax assessments

The tax filings for the Corporation and Spring Rich Limited as of the end as of the end of 2020 have been verified by the tax collection agency.

XXVI. Earnings per Share

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings per Share (NT\$)
<u>For the year ended December 31,</u> <u>2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,520,410	297,964	<u>\$ 5.10</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>582</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,520,410</u>	<u>298,546</u>	<u>\$ 5.09</u>
<u>For the year ended December 31,</u> <u>2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 2,059,783	297,964	<u>\$ 6.91</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>522</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 2,059,783</u>	<u>298,486</u>	<u>\$ 6.90</u>

The Group offered to settle compensation paid to employees in cash or shares; thus, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

XXVII. Disposal of Subsidiaries

The Corporation's Board of Directors has resolved, in May 2022, to dispose 100% shareholdings in Dongguan Paiho Powder Coating Co., Ltd. The transfer was completed in July 2022, and the Corporation has no control the entity ever since.

(I) Consideration received

	Dongguan Paiho Powder Coating Co., Ltd.
Cash and cash equivalents	\$ 32,423
Payment receivables from disposal of investment	15,155
Total consideration received	<u>\$ 47,578</u>

(II) Analysis of assets and liabilities over which the Company lost control

	2022 Dongguan Paiho Powder Coating Co., Ltd.
Current assets	
Cash and cash equivalents	\$ 1,289
Trade receivables and other receivables	46,610
Inventories	11,472
Other current assets	3,896
Non-current assets	
Property, plant and equipment	6,037
Right-of-use assets	6,467
Other non-current assets	2,388
Current liabilities	
Trade payables and other payables	(7,527)
Lease liabilities – current	(10,072)
Other current liabilities	(13,917)
Net assets disposed	<u>\$ 46,643</u>

(III) Loss from disposal of the subsidiary

	2022 Dongguan Paiho Powder Coating Co., Ltd.
Consideration received (cash)	\$ 47,578
Net assets of disposed subsidiaries	(46,643)
Goodwill	(4,791)
Accumulated exchange differences from reclassifying the net assets of subsidiaries to the profit and loss from the equity due to loss of control.	(4,128)
Loss on disposal	<u>(\$ 7,984)</u>

(IV) Net cash inflow from disposal of subsidiaries

	2022
	<u>Dongguan Paiho Powder Coating Co., Ltd.</u>
Consideration received in cash	\$ 32,423
Less: Cash and cash equivalents at disposition	(<u>1,289</u>)
	<u>\$ 31,134</u>

XXVIII. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased and the amount of new debt issued or existing debt redeemed.

XXIX. Financial Instruments

(I) Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at other than fair value are close to their fair value or their fair value cannot be measured reliably.

(II) Fair value of financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2022	Level 1	Level 2	Level 3
<u>Financial assets at FVTPL</u>			
Investments in equity instruments			
– Structured deposits	\$ -	\$ 141,102	\$ -
December 31, 2021			
<u>Financial assets at FVTOCI</u>			
Investments in equity instruments			
– Foreign unlisted shares	\$ -	\$ -	\$ -

There was no transfer of fair value measurement between level 1 and level 2 during 2022.

2. Adjustments of Level 3 fair value measurements of financial instruments
Financial assets at FVTOCI – equity instruments

	2021
Beginning balance at January 1	\$ -
Recognized in other comprehensive income (unrealized profit or loss of financial assets at FVTOCI)	4,178
Disposal	(4,178)
Ending balance at December 31	<u>\$ -</u>

3. Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument Category	Valuation Techniques and Inputs
Structured deposits	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(III) Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 141,102	\$ -
Finance measured at amortized cost (Note 1)	6,423,053	7,416,806
<u>Financial liabilities</u>		
At amortized cost (Note 2)	14,299,259	11,348,342

Note 1: The balance includes financial assets measured at amortized cost, which comprise cash and cash equivalents, restricted deposit, notes receivable, trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables and long-term borrowings, finance lease payable, guarantee deposits received.

(IV) Financial risk management objective and policies

The Group's major financial instruments include trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which

analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(1) Foreign currency risk

The Corporation and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the USD, the VND, the RMB and the HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in functional currencies of the Group's entities against the USD, the VND, the RMB and the HKD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit with the functional currencies of the Group's entities strengthening 1% against the relevant currency. For a 1% weakening of the functional currencies of the Group's entities against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

Currency	Impact on Profit and Loss	
	2022	2021
USD	\$ 9,090	\$ 10,521
RMB	1,137	632
VND	507	388
HKD	231	305

The above impacts are mainly attributable to exposure on outstanding receivables, payables and borrowings in currency USD, VND, RMB and HKD which were not hedged at the end of the reporting period.

In the management's opinion, sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

(2) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Short-term borrowings	\$ 1,498,297	\$ 316,645
Lease liabilities	55,931	127,071
Long-term borrowings (including current portion)	3,023,324	5,823,719
Interest rate risk on cash flow		
Short-term borrowings	5,161,587	2,547,129
Long-term borrowings (including current portion)	2,334,376	5,823,719

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates of non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 0.25% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$18,740 thousand and 20,927 thousand, respectively.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral.

In order to minimize credit risk, the Group had set up credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate allowances are made for irrecoverable amounts. In this regard, Group's believes the Group's credit risk was significantly reduced.

Trade receivables consisted of different customers from various industries and geographical locations. The Group continues to assess financial status of customers its accounts receivable are exposed to.

3. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized bank loan facilities of \$12,427,305 thousand and \$13,695,039 thousand, respectively.

Liquidity and interest rate risk table for non-derivative financial liabilities

The Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods is based on the undiscounted cash flows including both interest and principal cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Non-Derivative Financial Liabilities	Within 3 Months	3 Months to 1 Year	More than 1 Year
<u>December 31, 2022</u>			
No interest-bearing	\$ 2,139,033	\$ 126,691	\$ 15,951
Lease liabilities	5,598	17,071	46,863
Short-term			
borrowings	748,888	5,910,996	-
Long-term			
borrowings	<u>3,922,623</u>	<u>707,168</u>	<u>727,909</u>
	<u>\$ 6,816,142</u>	<u>\$ 6,761,926</u>	<u>\$ 790,723</u>
<u>December 31, 2021</u>			
No interest-bearing	\$ 2,469,519	\$ 174,969	\$ 16,361
Lease liabilities	8,728	25,762	107,437
Short-term			
borrowings	704,996	2,158,778	-
Long-term			
borrowings	<u>73,352</u>	<u>502,958</u>	<u>5,247,409</u>
	<u>\$ 3,256,595</u>	<u>\$ 2,862,467</u>	<u>\$ 5,371,207</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More than 20 Years
<u>December 31,</u> <u>2022</u>						
Lease liabilities	<u>\$22,669</u>	<u>\$23,809</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 8,654</u>
<u>December 31,</u> <u>2021</u>						
Lease liabilities	<u>\$34,490</u>	<u>\$73,784</u>	<u>\$14,453</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 9,600</u>

XXX. Transactions with Related Parties

Balances and transactions between the Corporation and its subsidiaries (which are related parties of the Corporation) have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Consolidated Company and other related parties are disclosed below.

(I) Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
A-Wei Cheng Chen	Other related parties
Cheng-Tsung Cheng	Other related parties
Sen-Mei Cheng	Other related parties
Kuo-Ian Cheng	Other related parties
I-Ming Lin	Other related parties
Huan-Tung Tseng	Other related parties
Mei-Ting Yang	Other related parties
Kuo-Chih Lai	Other related parties
Po-Hsun Huang	Other related parties

(II) Lease agreements

<u>Accounting Item</u> <u>Posted</u>	<u>Category/Name of Related</u> <u>Party</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Lease liabilities	Other related parties	<u>\$ 22,044</u>	<u>\$ 22,630</u>

<u>Category/Name of Related</u> <u>Party</u>	<u>2022</u>	<u>2021</u>
<u>Interest expense</u>		
Other related parties	<u>\$ 374</u>	<u>\$ 384</u>
<u>Lease expenses (included in</u> <u>cost of goods sold</u> <u>and operating expense)</u>		
Other related parties	<u>\$ 1,542</u>	<u>\$ 1,890</u>

The rental rate is based on the rental in the neighboring area, and is subject to agreement between the parties.

(III) Endorsement/guarantee

Acquiring Endorsement/guarantee

<u>Category/Name of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sen-Mei Cheng		
Endorsed amount	\$ 4,310,000	\$ 4,110,000
Actual borrowing amount	(900,000)	(1,000,000)
	<u>\$ 3,410,000</u>	<u>\$ 3,110,000</u>

A portion of long- and short-term borrowing of the Corporation is endorsed by the Chairman of the Corporation.

<u>Category/Name of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sen-Mei Cheng and I-Ming Lin		
Endorsed amount	\$ 81,289	\$ 210,479
Actual borrowing amount	(81,289)	(210,479)
	<u>\$ -</u>	<u>\$ -</u>

A portion of long term borrowing of the subsidiary is endorsed by the Chairman and Vice Chairman of the Corporation.

<u>Category/Name of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cheng-Tsung Cheng		
Endorsed amount	\$ 92,130	\$ 83,040
Actual borrowing amount	(92,130)	(55,360)
	<u>\$ -</u>	<u>\$ 27,680</u>

A portion of short term borrowing of the subsidiary is endorsed by the Chairman of the subsidiary.

<u>Category/Name of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Kuo-Ian Cheng		
Endorsed amount	\$ 15,330,745	\$ 13,906,480
Actual borrowing amount	(9,210,417)	(5,568,131)
	<u>\$ 6,120,328</u>	<u>\$ 8,338,349</u>

A portion of long- and short-term borrowing of the subsidiary is endorsed by the Chairman of the subsidiary.

(IV) Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 235,411	\$ 252,754
Retirement Benefit Plan	486	465
	<u>\$ 235,897</u>	<u>\$ 253,219</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXXI. Pledged Assets as Collateral or for Security

The following assets of the Group have been provided as collateral for long-term borrowings, bank guarantees and the power company's guarantee funds:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at amortized cost	\$ 117,634	\$ 9,830
Property, plant and equipment	<u>485,346</u>	<u>577,590</u>
	<u>\$ 602,980</u>	<u>\$ 587,420</u>

XXXII. Significant Contingent Liabilities and Unrecognized Contractual Commitments

In addition to those disclosed in other notes, significant commitments, and contingencies of the Group at December 31, 2022 and 2021 were as follows:

(I) The Group's unrecognized commitments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 1,404,026</u>	<u>\$ 570,737</u>

(II) As of December 31, 2021, the Group had signed construction contracts but not yet paid for approximately \$731,551 thousand.

(III) The Corporation signed a 10-year technology sales contract with a non-related party in July 2008, and the Corporation obtained the expertise in the production of injection molded Velcro. According to the contract, the Corporation is required to pay a premium of US\$281,000 each year, and an additional premium will be paid according to a certain percentage of the sales volume at the end of each year. The contract has been extended for another 10 years since the expiration in 2018.

(IV) The shareholders' meeting of the Corporation resolved in a special session dated September 2, 2010 for entering into the "Comprehensive Agreement on the Use of Trademarks and Patents, Sale Region Partitioning, and Related-Party Transactions" between the Company and Paiho Shih Holdings Corporation. Paiho Shih Holdings Corporation promised to purchase the equity shares issued by Paiho Europe, S.A. and the Paiho North America Corporation at fair value after listing at TWSE for trading or through its subsidiaries at the right time under the appraisal of professional institutions. In supporting the application of Paiho Shih Holdings Corporation for listing at TWSE, the shareholders' meeting of the Corporation resolved in regular session dated April 21, 2011 to amend the content of the above agreement in the aspects of the partition of sale regions and restriction of competition between the contracting parties. Affected by the poor operation environment, the Corporation has shut down its operation in Paiho Europe, S.A. As a result, Paiho Shih Holdings Corporation wrote to TWSE on February 27, 2014 informing that the subject company of the previous undertaking of "incorporating Paiho Europe, S.A. to the

operation system” is no longer in existence and the aforementioned undertaking cannot be accomplished.

- (V) Subsidiaries of the Group that are property developers in Mainland China sold real estate and guaranteed the mortgage bank loans of some of its customers (including natural persons and juridical persons). The amount of mortgage loans was remitted to the subsidiaries of the Group as payment for the property sold. If a customer breaches a mortgage contract, the subsidiaries of the Group will return to the banks only the amount of mortgage received. Therefore, the Group is not exposed to risk of material loss from the guarantee. The guarantee is just a selling feature in the real estate development industry in China and it does not bear the economic substance and risk of ordinary endorsement. In addition, according to the Q&A No. 35 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (the Regulations) announced on December 26, 2012 by the SFB, the above guarantee provided by the subsidiaries of the Group to its customers is similar to an escrow, instead of endorsement as defined in the Regulations.

XXXIII. Significant Assets and Liabilities Denominated in Foreign Currencies

The Group’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

Financial Assets	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Monetary items</u>						
USD	\$ 31,132	30.71	\$ 956,064	\$ 43,945	27.68	\$ 1,216,398
VND	165,657,715	0.00129	213,698	145,323,208	0.00120	173,661
RMB	25,801	4.408	113,731	14,547	4.344	63,192
HKD	5,878	3.938	23,148	8,588	3.549	30,479

Financial Liabilities	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Monetary items</u>						
VND	126,353,986	0.00129	162,997	112,876,010	0.00120	134,887
USD	1,532	30.71	47,048	5,935	27.68	164,281

The Group is primarily exposed to risks of foreign currency exchange rates of USD, VND, RMB, and HKD. The information below is based on functional currencies of the entities in the Group against USD, VND, RMB, and HKD. The disclosed exchange rates indicate the rates to exchange the functional currency to presentation currency.

Functional Currency	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
NTD	1.0000	\$ 106,202	1.0000	(\$ 36,989)
USD	29.8043	(23,669)	28.0088	4,367
RMB	4.4218	29,108	4.3413	(2,588)
HKD	3.8055	(128)	3.8093	17,735
		<u>\$ 111,513</u>		<u>(\$ 17,475)</u>

XXXIV. Separately Disclosed Items

(I) Information about significant transactions and Information about significant transactions and (II) investees:

1. Financing provided to others: See Table 1.
2. Endorsement/guarantee provided: See Table 2.
3. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): See Table 3.
4. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: See Table 4.
5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: See Table 5.
6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 7.
9. Trading in derivative instruments: None.
10. Others: Intercompany relationships and significant intercompany transactions: See Table 8.
11. Information on investees: See Table 9.

(III) Information on Investment in Mainland China

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss recognized, carrying amount of the investment at the year end, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 10.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of inventory purchase and the balance and percentage of the related payables at the end of the year: See Tables 6 and 8.
 - (2) The amount and percentage of sales and the balance and percentage of the related accounts receivable at the end of the year: See Tables 6 and 8.
 - (3) The amount of property transactions and the amount of the resultant gains or losses: None.

- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: See Table 2.
 - (5) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds: See Tables 1 and 8.
 - (6) Other transactions with a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: See Table 8.
- (IV) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 11.

XXXV. Segment Information

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group manages and allocates resources to research and development, manufacturing and sales of main and auxiliary materials and construction. The operating activities are the operation departments of research and development, manufacturing and sales of main and auxiliary materials and accessories products. The Group's reportable segments are Production, Powder Coating and Construction.

(I) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit	
	2022	2021	2022	2021
Production	\$14,818,078	\$14,642,121	\$ 2,440,369	\$ 2,842,487
Powder Coating	79,557	181,575	(6,268)	26,742
Construction	<u>1,372,751</u>	<u>3,464,090</u>	<u>280,647</u>	<u>1,108,583</u>
Total from continuing operations	<u>\$16,270,386</u>	<u>\$18,287,786</u>	2,714,748	3,977,812
Interest income			47,289	88,745
Other income and benefits			122,310	147,350
Net foreign currency exchange profit (loss),			111,513	(17,475)
Finance costs			(289,752)	(137,897)
Other expenses and losses			(135,474)	(31,638)
Profit before income tax			<u>\$ 2,570,634</u>	<u>\$ 4,026,897</u>

Segment profit represented the profit before tax earned by each segment without interest income, subsidy revenue, net gain and loss on disposal of property, plant and equipment, net foreign exchange gain or loss, interest expense and income tax expense. This measured amount was reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(II) Total segment assets and liabilities

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

(III) Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	2022	2021
Webbings (Shoelaces)	\$ 7,411,831	\$ 6,998,697
Touched Fasteners	2,038,390	2,305,935
Elastic	1,952,787	2,097,737
Jacquard engineered mesh	1,668,532	1,134,069
Premises (contains parking space)	1,372,751	3,464,090
Easy tape	1,165,024	1,403,529
Others	<u>661,071</u>	<u>883,729</u>
	<u>\$ 16,270,386</u>	<u>\$ 18,287,786</u>

(IV) Geographic breakdown

The Group's business mainly operates in three locations – Taiwan, China and Vietnam

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	2022	2021	December 31, 2022	December 31, 2021
Taiwan	\$ 2,906,734	\$ 3,301,788	\$ 2,935,389	\$ 2,657,873
China	6,501,124	9,321,754	3,434,510	2,992,536
Vietnam	4,445,056	3,334,112	10,860,630	7,777,006
Others	<u>2,417,472</u>	<u>2,330,132</u>	<u>1,646,331</u>	<u>1,317,365</u>
	<u>\$16,270,386</u>	<u>\$18,287,786</u>	<u>\$ 18,876,860</u>	<u>\$ 14,744,780</u>

Non-current assets exclude deferred tax assets and financial instruments.

(V) Information about major customers

In 2022 and 2021, no single customer accounted for at least 10% of the Group's service revenue; therefore, no customer information is required to be disclosed.

Table 1

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Financing Provided to Others

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Number	Lender	Borrower	Item	Related Party	Highest Balance for the Period (Notes 4 and 6)	Ending balance of the Year (Notes 5 and 6)	Actual Borrowing Amount (Note 5)	Interest Rate Range	Nature of Financing (Note 7)	Business Transaction Amount	Reason for Necessary Short-term Financing (Note 7)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2, and 3)	Aggregate Financing Limit (Notes 1, 2, and 3)
													Name	Value		
1	Paiho Int'l Limited	Vietnam Paiho Limited	Receivable from related parties	Y	\$ 588,181 (USD 20,350)	\$ 412,538 (USD 13,433)	\$ 301,982 (USD 9,833)	1.3%-3.75%	Necessary for long- and short-term financing	\$ -	Operating turnover	\$ -	—	\$ -	\$ 7,218,624	\$ 7,218,624
		PT. Paiho Indonesia	Receivable from related parties	Y	91,305 (USD 3,000)	92,130 (USD 3,000)	92,130 (USD 3,000)	1.3%-3.75%	Necessary for long-term financing	-	Operating turnover	-	—	-	7,218,624	7,218,624
2	Thomas Dynamic Material (jiangsu) Co., Ltd.	Wuxi Paihong Real Estate Co., Ltd.	Receivable from related parties	Y	352,400 (RMB 80,000)	352,640 (RMB 80,000)	-	4.2%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,823,343	2,823,343
		Shanghai Best Expectation Textile Trading Limited.	Receivable from related parties	Y	89,040 (RMB 20,000)	88,160 (RMB 20,000)	-	3.4%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,823,343	2,823,343
		Wuxi Paiwei Biotechnology Co. Ltd.	Receivable from related parties	Y	129,920 (RMB 30,000)	-	-	3.6%-4.35%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,823,343	2,823,343
3	Paiho Shih Holdings Corporation	Hon Shin Corp.	Receivable from related parties	Y	472,430 (USD 17,000)	-	-	3-month TAIFX rate + 1.15%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,331,932	2,331,932
		Vietnam Paihong Limited Company	Receivable from related parties	Y	2,118,885 (USD 71,000)	2,180,410 (USD 71,000)	1,689,050 (USD 55,000)	3-month USD Libor rate + 1.28% 3-month TAIFX rate + 1.15%, and 3-month TAIFX rate + 1.1%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,331,932	2,331,932
4	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivable from related parties	Y	232,065 (USD 7,550)	153,550 (USD 5,000)	153,550 (USD 5,000)	3-month USD Libor rate + 1.28% and 3-month TAIFX rate + 1.10% or 2.25%	Necessary for long- and short-term financing	-	Operating turnover	-	—	-	728,837	728,837

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Number	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Notes 4 and 6)	Ending Balance of the Year (Notes 5 and 6)	Actual Borrowing Amount (Note 5)	Interest Rate Range	Nature of Financing (Note 7)	Business Transaction Amount	Reason for Necessary Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2, and 3)	Aggregate Financing Limit (Notes 1, 2, and 3)
													Name	Value		
5	Dongguan Paihong Industry Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	Receivable from related parties	Y	\$ 1,324,000 (RMB 300,000)	\$ 881,600 (RMB 200,000)	\$ 484,880 (RMB 110,000)	3.4%-3.6%	Necessary for short-term financing	\$ -	Operating turnover	\$ -	—	\$	\$ 1,717,406	\$ 1,717,406
		Wuxi Paihong Real Estate Co., Ltd.	Receivable from related parties	Y	528,600 (RMB 120,000)	528,960 (RMB 120,000)	-	4.2%	Necessary for short-term financing	-	Operating turnover	-	—		4,293,515	4,293,515
6	Wuxi Paihong Real Estate Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	Receivable from related parties	Y	434,000 (RMB 100,000)	-	-	3.6%	Necessary for short-term financing	-	Operating turnover	-	—		1,120,632	1,120,632

- Note 1: For borrowers with 50% or more voting shares directly or indirectly owned by the Corporation and Paiho Shih Holdings Corporation, the financing limit for each borrower and aggregate financing limit is 40% of the net worth of the lender.
- Note 2: The individual and total amount of lending to companies whose voting shares are 100% owned, directly or indirectly, by the Corporation and Paiho Shih Holdings Corporation shall not exceed 40% of the net worth of lender.
- Note 3: For borrowers whose voting shares are 100% owned, directly or indirectly, by the Corporation and Paiho Shih Holdings Corporation, the individual and total amount of lending to a borrower shall not exceed the lender’s net worth.
- Note 4: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.
- Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.
- Note 6: The ending balance amount has been approved by the board of directors.
- Note 7: The restriction that the term of each loan for funding should not exceed one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Company and Paiho Shih Holdings Corporation holds, directly or indirectly, 100% of the voting shares.
- Note 8: Significant intercompany accounts and transactions have been eliminated.

Table 2
TAIWAN PAIHO LIMITED AND SUBSIDIARIES
Endorsement/Guarantee Provided
January 1 to December 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)

Number	Name of Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/Guarantee Given to Each Entity (Note 2)	Highest Endorsement/Guarantee Balance for the Current Year (Note 4)	Endorsement/Guarantee Balance at the End of the Period (Note 5)	Actual Borrowing Amount (Note 5)	Amount of Endorsement/Guarantee Secured by Assets	Ratio of Accumulated Endorsement/Guarantee Amount to Net Value in the Latest Financial Statement	Endorsement/Guarantee Limit (Note 3)	Endorsement/Guarantee by the Parent Company for the Subsidiary	Endorsement/Guarantee by the Subsidiary for the Parent Company	Endorsement/Guarantee for Companies in Mainland China
		Company Name	Relationship										
0	The Corporation	Paiho Int'l Limited	(Note 1)	\$ 11,916,948	\$ 113,140 (USD 4,000)	\$ 30,710 (USD 1,000)	\$ -	\$ -	0.26%	\$ 29,792,370	Y	—	—
		Zhong Yuan Xing Ye Company Ltd.	(Note 1)	11,916,948	57,830 (USD 2,000)	30,710 (USD 1,000)	-	-	0.26%	29,792,370	Y	—	—
		PT. Paiho Indonesia	(Note 1)	11,916,948	2,758,375 (USD 94,000)	2,272,540 (USD 74,000)	936,655 (USD 30,500)	-	19.07%	29,792,370	Y	—	—
1	Paiho Shih Holdings Corporation	Hon Shin Corp.	(Note 1)	5,829,831	2,892,810 (USD 103,000)	92,130 (USD 3,000)	-	-	1.58%	14,574,578	—	—	—
		Vietnam Paihong Limited Company	(Note 1)	5,829,831	5,408,205 (USD 183,000)	5,619,930 (USD 183,000)	4,350,286 (USD 141,657)	-	96.40%	14,574,578	—	—	—
		Hong Kong Best Expectation International Trading Limited	(Note 1)	5,829,831	4,458,000 (USD 150,000)	4,606,500 (USD 150,000)	1,468,859 (USD 47,830)	-	79.02%	14,574,578	—	—	—

Note 1: Holding more than 50% of the voting shares directly or indirectly.

Note 2: For the Corporation's endorsements and guarantees to a subsidiary with more than 50% of its voting shares held, and the endorsements and guarantees of Paiho Shih Holdings Corporation to an affiliated enterprise, the amount shall not exceed the net value of the Corporation and Paiho Shih Holdings Corporation, respectively, and the total amount shall not exceed the limit of total endorsements/guarantees.

Note 3: For the Corporation's endorsements/guarantees to subsidiaries with more than 50% of their voting shares held, and the endorsements/guarantees of Paiho Shih Holdings Corporation to affiliated enterprises, the total amount shall not exceed 250% of the net value of the Corporation and Paiho Shih Holdings Corporation, respectively.

Note 4: The maximum amount was translated into New Taiwan dollars using the maximum balance in foreign currency from the month it occurred multiplying with the prevailing exchange rate at the date of the transaction.

Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Table 3

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Marketable Securities Held

December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Securities Holding Company	Type and Name of Marketable Securities	Relationship with Securities Issuer	Accounting Subject	Year End Balance				Remark
				Number of Shares	Carrying Amount (Notes 1 and 2)	Shareholding Ratio	Fair Value (Notes 1 and 2)	
Wuxi Paisen Commerce Co., Ltd.	Financial management products Fubon Huayi Bank – Yuexiangying RMB Structured Deposit (principal protection)	—	Financial assets measured at fair value through income statement – current	-	\$ 141,102 (RMB 32,000)	-	\$ 141,102 (RMB 32,000)	

Note 1: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 2: Please refer to Note 29 for fair value information.

Table 4

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Marketable Securities Acquired and Disposed at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Type and Name of Marketable Securities	Accounting Subject	Counterparty	Relationship	Beginning Balance (Note 2)		Buy		Sell (Note 3)				Ending Balance (Note 2)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Value	Disposal Benefits	Number of Shares	Amount
Thomas Dynamic Material (jiangsu) Co., Ltd.	Equity	Investments accounted for using equity method	Shanghai Best Expectation Textile Trading Limited	Subsidiary	-	\$ 2,172 (RMB 500)	-	\$ 358,608 (RMB 81,100)	-	\$ -	\$ -	\$ -	-	(\$ 732,071) (RMB 166,078) (Notes 2 and 5)
Dongguan Paihong Industry Co., Ltd.	Equity	Investments accounted for using equity method	Shanghai Best Expectation Textile Trading Limited	Subsidiary	-	-	-	346,669 (RMB 78,400)	-	-	-	-	-	(703,347) (RMB 159,562) (Notes 2 and 5)
Hon Shin Corp.	Shareholding of Vietnam	Investments accounted for using equity method	Hong Kong Best Expectation International Trading Limited	Subsidiary	-	1,976,235 (USD 130,000)	-	-	-	3,963,972 (USD 133,000)	1,911,191 (USD 64,125)	(Note 4)	-	-
Hong Kong Best Expectation International Trading Limited	Shareholding of Vietnam	Investments accounted for using equity method	Hon Shin Corp.	Subsidiary	-	-	-	3,963,972 (USD 133,000)	-	-	-	-	-	1,963,568 (USD 63,939) (Notes 2 and 5)

Note 1: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 2: The beginning and ending balance include the share of profits and losses of subsidiaries accounted for using the equity method and the exchange differences on translating the foreign operations.

Note 3: Carrying value include the share of profits and losses of subsidiaries accounted for using the equity method and the exchange differences on translating the foreign operations.

Note 4: An equity transaction due to restructuring. No disposition gain or loss incurred.

Note 5: Significant intercompany accounts and transactions have been eliminated.

Table 5

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Acquisition of Individual Real Estate at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital

January 1 to December 31, 2022

(In Thousands of Foreign Currency)

Acquiring Company	Asset Name	Transaction Date or Occurrence Date	Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Agreements
							Owner	Relationship	Transfer Date	Amount			
Wuxi Paihong Real Estate Co., Ltd.	Construction in progress	September 8, 2021 and May 19, 2022	RMB 120,411	As of December 31, 2022, RMB 114,611 has been paid	China Construction Dongfang Decoration Co., Ltd.	—	—	—	—	\$ -	Refer to market price and set out by mutual agreement.	Operating purpose	—
Vietnam Paihong Limited Company	Construction in progress	March 25, 2022 and May 10, 2022	VND 2,098,996,593	As of December 31, 2022, VND 1,568,608,259 has been paid	NEWTECONS INVESTMENT CONSTRUCTION JOINT STOCK COMAPNY	—	—	—	—	-	Refer to market price and set out by mutual agreement.	Operating purpose	—
Vietnam Paihong Limited Company	Construction in progress	August 25, 2022	VND 254,164,430	As of December 31, 2022, VND 166,665,011 has been paid	Acter Group Corporation Limited	—	—	—	—	-	Refer to market price and set out by mutual agreement.	Operating purpose	—
PT. Paiho Indonesia	Construction in progress	April 14, 2022, July 25, 2022 and November 15, 2022	IDR 184,700,000	As of December 31, 2022, IDR 115,830,000 has been paid	PT. MEGA DUNIA KONSTRUKSINDO	—	—	—	—	-	Refer to market price and set out by mutual agreement.	Operating purpose	—

Note: The amount of transactions are according to the contracts.

Table 6

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Buyer/Seller	Counterparty	Relationship	Transaction Situation				Situation and Reason why Transaction Terms are Different from Ordinary Transactions		Notes/Trade Receivables (Payable)		Remark
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	Percentage of Total Notes and Trade Receivable (Payable)	
The Corporation	Vietnam Paiho Limited	(Note 1)	(Sales)	\$ 356,131	(10%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	\$ 25,725	5%	—
	Dongguan Paihong Industry Co., Ltd.	(Note 1)	(Sales)	138,524	(4%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	24,945	5%	
Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	(Note 1)	(Sales)	211,074 (USD 7,082)	(100%)	Payment to be received in approximately 3 months	At market price	About 3 months	36,207 (USD 1,179)	100%	—
Vietnam Paiho Limited	Paiho North America Corporation	(Note 1)	(Sales)	114,001 (USD 3,825)	(3%)	Payment to be received in approximately 3 months	At market price	About 3 months	18,487 (USD 602)	4%	—
Thomas Dynamic Material (jiangsu) Co., Ltd.	Dongguan Paihong Industry Co., Ltd.	(Note 1)	(Sales)	105,434 (RMB 23,844)	(6%)	Payment to be received in approximately 3 months	At market price	About 3 months	13,297 (RMB 3,017)	5%	—
Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 1)	(Sales)	174,450 (USD 5,853)	(20%)	Payment to be received in approximately 3 months	At market price	About 3 months	127,198 (USD 4,142)	96%	—
Vietnam Paihong Company	Hon Shin Corp.	(Note 1)	(Sales)	443,414 (USD 14,878)	(41%)	Payment to be received in approximately 3 months	At market price	About 3 months	\$ 3 (USD -)	-	—

Note: Refer to Note 12 of the consolidated financial statements.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Table 7

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Amount of Overdue Receivables from Related Parties		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Method of Treatment		
Paiho Int'l Limited	Vietnam Paiho Limited	(Note 2)	\$ 301,982 (USD 9,833)	-	\$ -	—	\$ 28,151 (USD 917)	\$ -
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	(Note 2)	1,702,019 (USD 55,422)	-	-	—	449,326 (USD 14,631)	-
Dongguan Paihong Industry Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	(Note 2)	486,954 (RMB 110,471)	1.93	-	—	548 (RMB 124)	-
Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 2)	285,565 (USD 9,299)	2.81	-	—	4,587 (USD 149)	-
	Hong Kong Best Expectation International Trading Limited	(Note 2)	2,001,901 (USD 65,187)	-	-	—	2,001,901 (USD 65,187)	-

Note 1: Included trade receivables, other receivables and receivables from related party.

Note 2: Refer to Note 12 of the consolidated financial statements.

Note 3: Significant intercompany accounts and transactions have been eliminated.

Table 8

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Intercompany Relationships and Significant Transactions

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Number	Investee Company	Counterparty (Note 2)	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	Percentage of Consolidated Total Revenue or Total Assets (%)
0	The Corporation	Vietnam Paiho Limited	(1)	Sales	\$ 356,131	About 3 months	2
		Dongguan Paihong Industry Co., Ltd.	(1)	Sales	138,524	About 3 months	1
		Zhong Yuan Xing Ye Company Ltd.	(1)	Sales	90,779	About 3 months	1
		Thomas Dynamic Material (jiangsu) Co., Ltd	(1)	Sales	83,084	About 3 months	1
		Vietnam Paiho Limited	(1)	Cost of goods sold	67,793	About 3 months	1
1	Paiho Int'l Limited	Vietnam Paiho Limited	(1)	Receivable from related parties	USD 9,833	—	1
2	Thomas Dynamic Material (jiangsu) Co., Ltd	Dongguan Paihong Industry Co., Ltd.	(1)	Other payables	RMB 110,318	About 3 months	2
		Dongguan Paihong Industry Co., Ltd.	(1)	Sales	RMB 23,844	About 3 months	1
3	Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	(3)	Sales	USD 7,082	About 3 months	1
4	Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	(1)	Receivable from related parties	USD 55,422	—	5
		Hon Shin Corp.	(1)	Other income	USD 2,400	—	1
5	Hon Shin Corp.	Vietnam Paihong Limited Company	(1)	Cost of goods sold	USD 14,878	About 3 months	3
		Vietnam Paihong Limited Company	(1)	Receivable from related parties	USD 5,008	—	1
		Vietnam Paihong Limited Company	(1)	Trade receivables	USD 4,291	About 3 months	1
		Vietnam Paihong Limited Company	(1)	Sales	USD 5,853	About 3 months	1
		Hong Kong Best Expectation International Trading Limited	(3)	Other receivables	USD 65,187	—	6
6	Vietnam Paiho Limited	Paiho North America Corporation	(3)	Sales	USD 3,825	About 3 months	1
7	Wuxi Paihong Real Estate Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd	(2)	Sales	RMB 7,627	About 3 months	2

Note 1: Relationship of investee to counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Table 9

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Information on Investees

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Year End Holding			Profit/Loss of the Investee in the Current Year	Profit/Loss Recognized in the Current Period	Remark
				December 31, 2022	December 31, 2021	Number of shares	Ratio	Carrying Amount			
The Corporation	Paiho Int'l Limited	British Virgin Islands	International investment	\$ 511,213	\$ 511,213	14,368,564	100%	\$ 6,972,118	\$ 838,220	\$ 876,170	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International investment	390,818	876,863	10,285,631	100%	425,127	(18,856)	(18,377)	Subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	1,191,299	277,163	274,392	Subsidiary
	Paiho North America Corporation	California, USA	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	237,839	22,358	22,358	Subsidiary
	Spring Rich Limited	Changhua County, Taiwan	Extra processing of webbings	3,000	3,000	-	100%	5,958	418	418	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City, Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	358,776	358,776	-	33%	1,428,604	914,987	302,149	Indirect subsidiary of subsidiary
	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	162,632,396	52%	2,909,414	555,749	(Note 1)	Indirect subsidiary
	He Mei Xing Ye Company Ltd.	British Samoa	Internal investment and trade	USD 16,263	USD 16,263	23,636,140	100%	2,936,926	613,302	(Note 1)	Indirect subsidiary
	Zhong Yuan Xing Ye Company Ltd.	British Samoa	International trading	USD 3,760	USD 3,760	3,760,000	100%	(8,724)	(6,796)	(Note 1)	Indirect subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	USD 180	USD 180	1,800	1%	12,033	277,163	(Note 1)	Subsidiary
	He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Manufacture and extra processing on touch fasteners and various type of webbings	773,954	773,954	-	67%	2,936,925	914,987	(Note 1)	Indirect subsidiary of subsidiary
	Paiho Shih Holdings Corporation	Hong Kong Antex Limited.	International investment	USD 54,335	USD 54,335	54,334,644	100%	4,856,596	797,901	(Note 1)	Indirect subsidiary of subsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD -	USD 1,791	-	-	-	5,528	(Note 1)	Indirect subsidiary of subsidiary
	Hon Shin Corp.	British Samoa	Internal investment and trade	USD 79,000	USD 130,000	79,000,000	100%	2,139,696	(245,699)	(Note 1)	Indirect subsidiary of subsidiary
	Paiho Group Inc.	Paiho Holdings Limited	International investment	390,818	876,863	10,285,631	100%	425,284	(18,855)	(Note 1)	Indirect subsidiary
	Paiho Holdings Limited	Braits Company Limited	International investment	562,498	562,498	16,601,385	100%	315,789	(8,017)	(Note 1)	Indirect subsidiary of subsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong, Vietnam	Production and sale of mesh cloth and other cloth	USD -	USD 130,000	-	-	-	(269,258)	(Note 1)	Indirect subsidiary under several layers of holding
Hong Kong Best Expectation International Trading Limited	Vietnam Paihong Limited Company	Binh Duong, Vietnam	Production and sale of mesh cloth and other cloth	USD 133,000	USD -	-	100%	1,963,568	(269,258)	(Note 1)	Indirect subsidiary under several layers of holding
Shanghai Best Expectation Textile Trading Limited	Hong Kong Best Expectation International Trading Limited	Hong Kong	Internal investment and trade	USD 23,064	USD -	23,063,700	100%	(1,434,998)	(2,032)	(Note 1)	Indirect subsidiary under several layers of holding

Note 1: Information filling is exempted according to regulations.

Note 2: For information on investment in mainland China, please refer to Table 10.

Note 3: Significant intercompany accounts and transactions have been eliminated.

Table 10
TAIWAN PAIHO LIMITED AND SUBSIDIARIES
Information on Investment in Mainland China
January 1 to December 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)

Name of the Investee Company in Mainland China (Note 1)	Main Businesses and Products	Paid-in Capital	Investment Method	Cumulative Investment Amount Remitted out from Taiwan at the Beginning of the Year	Outward and Inward Remittance of Funds		Cumulative Investment Amount Remitted out from Taiwan at the End of the Year	Net Income (loss) of the Investee from the Current Year	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) Recognized (Note 8)	Carrying Amount at the End of the Period (Note 8)	Accumulated Repatriation of Investment Income as of the End of the Current Period
					Outward	Inward						
Dongguan Paiho Business Service Co., Ltd.	Non-residential property leasing	\$ 151,947 (RMB 34,471)	(Note 1)	\$ -	\$ -	\$ -	\$ -	(\$ 2,854)	100%	(\$ 2,854)	\$ 150,263	\$ 1,214,739
Thomas Dynamic Material (jiangsu) Co., Ltd. (Note 7)	Processing of touch fasteners, webbing and embroidery	1,695,283 (RMB 384,592)	(Note 1)	511,620	-	-	511,620	1,132,338	52%	584,614	2,647,687	481,171
China Star International Limited	Production & marketing of powder coating	1,816 (RMB 412)	(Note 1)	201,922	-	141,644	60,278	5,520	100%	5,520	42,305	369,921
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	- (RMB -)	(Note 1)	35,720	-	35,720	-	(24,770)	-	(24,770)	-	45,162
Wuxi Paisen Commerce Co., Ltd.	Non-residential property leasing	239,927 (RMB 54,430)	(Note 1)	564,691	-	306,300	258,391	(12,111)	100%	(12,111)	311,370	17,598
Dongguan Paihong Industry Co., Ltd (Note 7)	Production and sale of touch fasteners, elastic, webbings, and jacquard engineered mesh, and consumer electronic accessories, etc.	1,573,778 (RMB 357,028)	(Note 1)	141,664	-	-	141,664	896,537	52%	465,715	1,597,126	195,107
Wuxi Paihong Real Estate Co., Ltd. (Note 7)	Commercial housing management, planning, consulting, and property sales, development, leasing, design and decoration	1,675,040 (RMB 380,000)	(Note 1)	(Note 2)	-	-	-	175,631	52%	90,786	1,421,619	-
Wuxi Paiwei Biotechnology Co. Ltd (Note 7)	Production and sales of masks and non-woven fabrics	573,040 (RMB 130,000)	(Note 1)	(Note 3)	-	-	-	(238,463)	52%	(122,568)	147,184	-
Shanghai Best Expectation Textile Trading Limited (Note 7)	Internal investment and trade	705,280 (RMB 160,000)	(Note 1)	(Note 4)	-	-	-	171	52%	93	(729,515)	-

Cumulative Investment Amount Remitted out from Taiwan to the Mainland China at the End of the Year	Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs	In Accordance with the Investment Quota in Mainland China Area Set by the Investment Commission of the Ministry of Economic Affairs
(\$ 841,418)(Note 8)	\$ 178,159 (USD 5,801)	No upper limit (Note 5)

Note 1: Refer to Note 12 of the consolidated financial statements.

Note 2: The investment project is funded by Thomas Dynamic Material (jiangsu) Co., Ltd.

Note 3: The investment is made by Hong Kong Antex Limited.

Note 4: The investment project is funded by Thomas Dynamic Material (jiangsu) Co., Ltd and Dongguan Paihong Industry Co., Ltd.

Note 5: Under the “Principles for the Review of Investment or Technological Joint Venture in mainland China” of the Investment Commission dated August 29, 2008, the Corporation was issued the certification document for proof of within the scope of operation of the corporate headquarters by Industrial Development Bureau, MOEA, for investment in mainland China with no upper limit of the fund.

Note 6: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 7: With the reference to the audited financial statements of the parent company.

Note 8: Including the remitted investment income as of the year end that was through the cumulative investment remitted out from Taiwan to Mainland China.

Note 9: Significant intercompany accounts and transactions have been eliminated.

Table 11

TAIWAN PAIHO LIMITED

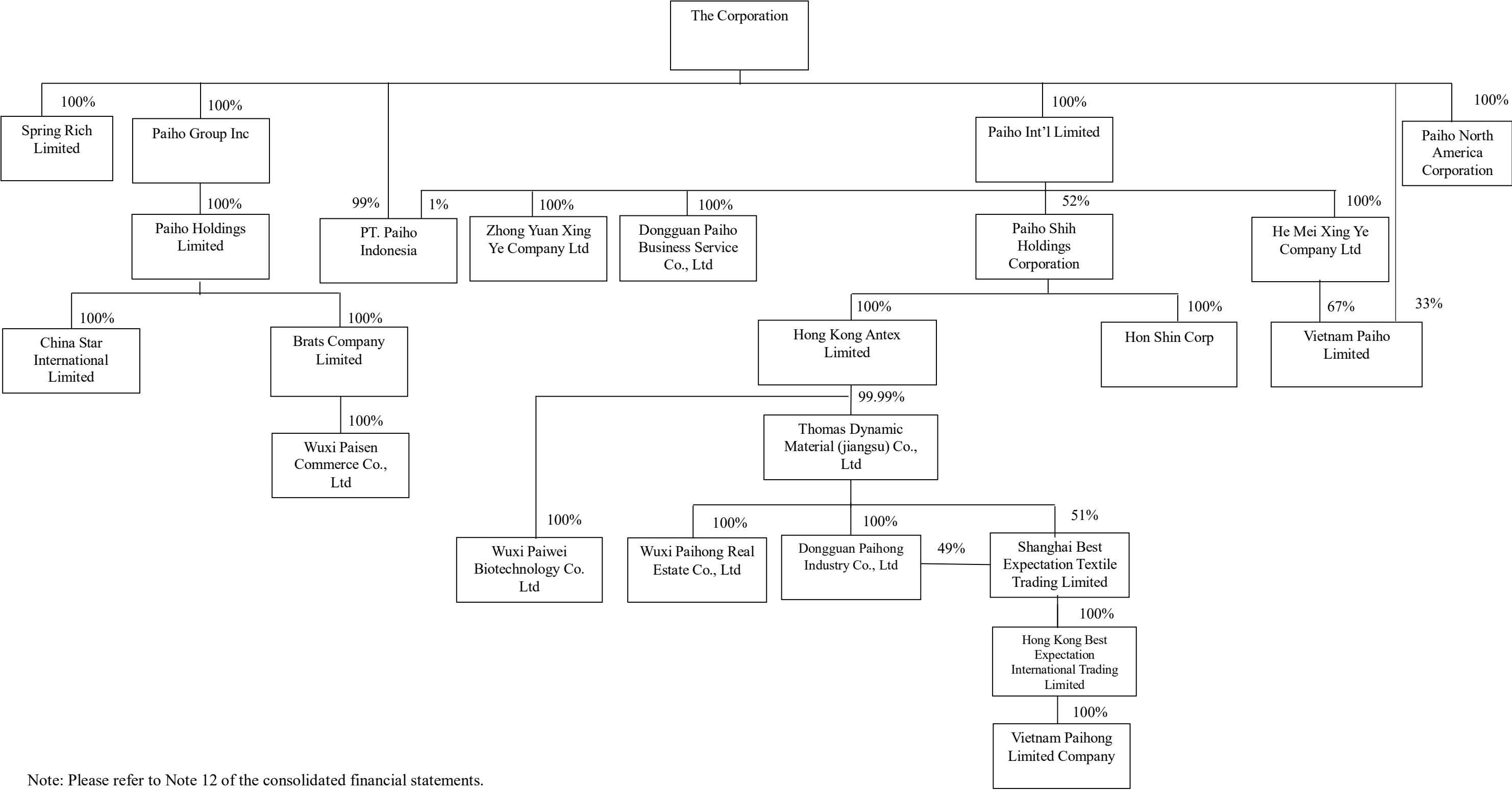
Information on Major Shareholders

December 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares Held (Shares)	Shareholding Ratio
Fubon Life Insurance Co., Ltd.	23,363,000	7.84%

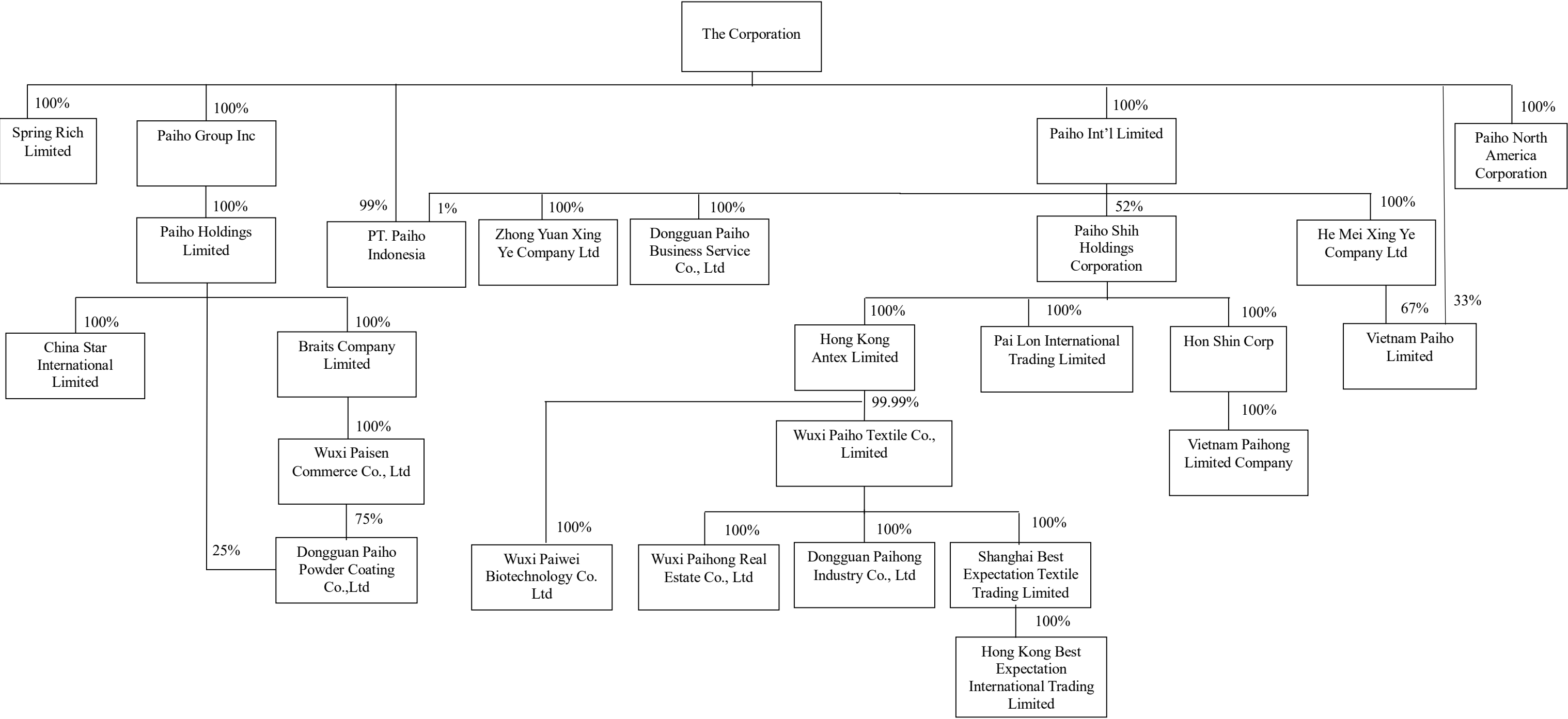
Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Table 12
TAIWAN PAIHO LIMITED
Investment Structure
December 31, 2022



Note: Please refer to Note 12 of the consolidated financial statements.

Table 13
TAIWAN PAIHO LIMITED
Investment Structure
December 31, 2021



6.5 Parent Only Financial Statements and CPAs' Report in the Recent Year

Independent Auditors' Report

To: TAIWAN PAIHO LIMITED

Audit Opinion

We have audited the accompanying parent only financial statements of Taiwan Paiho Limited (the "Company"), which comprise the parent only balance sheets as of December 31, 2022 and 2021, and the parent only income statement, the parent statement of cash flows for the years then ended, and notes to the parent financial statements, (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Only Financial Statements section of our reports. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent only financial statements for the year ended December 31, 2022. These matters are addressed in the context of our audit of the parent only financial statements as a whole and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter for the parent only financial statements for the year ended December 31, 2022 is stated as follows:

Recognition of sales revenue

The main business items of Taiwan Paiho Limited include the manufacturing and sale of touch fasteners, webbing shoelaces, elastic, and relevant peripheral materials as well as the sale of residential buildings constructed by construction contractors. Among all, the revenue from the sale of webbing shoelaces significantly influences the operating revenue and profit of the Group. Therefore, we include the above-mentioned sales revenue as a key audit matter. Please refer to Note 4 to the Parent Only Financial Statements.

We have conducted procedures related to the matters included the following, among others:

1. We understood the design and implementation of internal controls and procedures for recognizing the sales revenue, and sampled and verified the appropriateness of the original orders approved.
2. We picked samples from the statement of webbing shoelaces sales, compared to relevant documents, including order form, shipping order, and sales invoice, and checked the payment collection to verify the authenticity of revenue recognition.

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

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 Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Only Financial Statements.

Our objective is to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing

standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent only financial statement.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We have also conducted the following work:

1. Identify and assess the risk of material misstatement of the parent only financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriate ness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions many cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent only financial statements, (including the disclosures), and whether the parent only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent only financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent only financial statements for the year ended December 31, 2022 and therefore the audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Taiwan

Shu-Ching Chiang, CPA

Ting-Chien, Su CPA

March 24, 2023

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN PAIHO LIMITED

Balance Sheets

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 720,953	5	\$ 231,187	2
1136	Financial assets measured at amortized cost – current (Notes 4 and 7)	230,769	2	167,942	1
1150	Notes receivable (Note 4)	56,631	-	111,464	1
1170	Trade receivables (Notes 4, 8 and 23)	395,367	3	655,127	4
1200	Other receivable (Note 23)	8,133	-	14,071	-
1310	Inventories (Notes 4 and 9)	496,602	3	552,676	4
1470	Other current assets (Note 13)	41,790	-	66,443	-
11XX	Total current assets	<u>1,950,245</u>	<u>13</u>	<u>1,798,910</u>	<u>12</u>
	Non-current assets				
1535	Financial assets measured at amortized cost – non-current (Notes 4, 7 and 24)	2,910	-	269,603	2
1550	Investments accounted for using the equity method (Notes 4 and 10)	10,260,945	68	9,810,665	67
1600	Property, plant and equipment (Notes 4, 11, 23 and 24)	2,777,455	18	2,513,091	17
1755	Right-of-use assets (Notes 4 and 12)	30,613	-	31,376	-
1780	Other intangible assets	1,017	-	1,091	-
1840	Deferred tax assets (Notes 4 and 19)	60,273	-	204,415	1
1915	Prepayment for machinery and equipment	81,593	1	83,664	1
1990	Other non-current assets (Note 13)	36,501	-	20,566	-
15XX	Total non-current assets	<u>13,251,307</u>	<u>87</u>	<u>12,934,471</u>	<u>88</u>
1XXX	Total assets	<u>\$ 15,201,552</u>	<u>100</u>	<u>\$ 14,733,381</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2102	Short-term borrowings (Note 14)	\$ -	-	\$ 100,000	1
2150	Notes payable (Note 14)	76,838	-	104,865	1
2170	Trade payables (Note 23)	91,000	1	161,408	1
2200	Other payables (Note 15 and 23)	377,470	2	408,096	3
2230	Current tax liabilities (Notes 4 and 19)	315,141	2	207,404	1
2280	Lease liabilities – current (Notes 4, 12 and 23)	3,867	-	4,122	-
2320	Long-term liabilities, current portion	898,388	6	-	-
2399	Other current liabilities (Note 23)	11,473	-	28,694	-
21XX	Total current liabilities	<u>1,774,177</u>	<u>11</u>	<u>1,014,589</u>	<u>7</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 14 and 24)	200,000	1	1,527,937	10
2570	Deferred tax liabilities (Notes 4 and 19)	1,353,050	9	1,276,042	9
2580	Lease liabilities – non-current (Notes 4, 12 and 23)	27,319	-	27,673	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 16)	62,607	1	126,619	1
2645	Guarantee deposits received	30	-	30	-
25XX	Total non-current liabilities	<u>1,643,006</u>	<u>11</u>	<u>2,958,301</u>	<u>20</u>
2XXX	Total liabilities	<u>3,417,183</u>	<u>22</u>	<u>3,972,890</u>	<u>27</u>
	Equity				
3110	Common stock	2,979,639	20	2,979,639	20
3200	Capital surplus	728,084	5	727,977	5
	Retained earnings				
3310	Legal reserve	1,841,652	12	1,640,637	11
3320	Special reserve	737,099	5	572,198	4
3350	Unappropriated earnings	5,668,283	37	5,577,139	38
3400	Other equity interest	(170,388)	(1)	(737,099)	(5)
3XXX	Total equity	<u>11,784,369</u>	<u>78</u>	<u>10,760,491</u>	<u>73</u>
	Total liabilities and equity	<u>\$ 15,201,552</u>	<u>100</u>	<u>\$ 14,733,381</u>	<u>100</u>

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Statements of Comprehensive Income

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2022		2021	
		Amount	%	Amount	%
4000	Net sale (Notes 4 and 23)	\$ 3,612,336	100	\$ 4,285,592	100
5000	Cost of operation (Notes 4, 9, 18 and 23)	<u>2,718,145</u>	<u>75</u>	<u>2,955,501</u>	<u>69</u>
5900	Gross profit	894,191	25	1,330,091	31
5910	Realized Gain on Transactions with Subsidiaries and Associate (Note 4)	<u>17,544</u>	<u>-</u>	<u>9,289</u>	<u>-</u>
5950	Realized Gross Profit	<u>911,735</u>	<u>25</u>	<u>1,339,380</u>	<u>31</u>
	Operation expenses (Notes 8, 18 and 23)				
6100	Sales and marketing expenses	332,534	9	326,460	8
6200	General and administrative expenses	130,087	4	126,349	3
6300	Research and development expenses	126,702	3	144,719	3
6450	Expected credit loss (gain)	(<u>6,685</u>)	<u>-</u>	(<u>1,408</u>)	<u>-</u>
6000	Total operating expense	<u>582,638</u>	<u>16</u>	<u>596,120</u>	<u>14</u>
6900	Profit from operations	<u>329,097</u>	<u>9</u>	<u>743,260</u>	<u>17</u>
	Non-operating income and expense				
7070	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 4)	1,457,110	40	1,846,416	43
7100	Interest income (Note 4)	4,886	-	429	-
7190	Other income (Note 23)	49,551	1	35,046	1

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Code		2022		2021	
		Amount	%	Amount	%
7230	Net foreign exchange profit (loss) (Notes 4 and 18)	107,151	3	(37,029)	(1)
7510	Finance costs (Notes 4, 18 and 23)	(10,137)	-	(14,567)	-
7590	Other expenses (Note 18)	(8,855)	-	(7,388)	-
7000	Total non-operating income and expense	<u>1,599,706</u>	<u>44</u>	<u>1,822,907</u>	<u>43</u>
7900	Profit before income tax	1,928,803	53	2,566,167	60
7950	Income tax expense (Notes 4 and 19)	<u>408,393</u>	<u>11</u>	<u>506,384</u>	<u>12</u>
8200	Net income	<u>1,520,410</u>	<u>42</u>	<u>2,059,783</u>	<u>48</u>
	Other comprehensive income (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 16)	42,020	1	10,338	1
8330	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	13,022	-	5,621	-
8349	Income tax relating to items that will not be reclassified subsequently to loss (Notes 19)	(8,405)	-	(2,067)	-
		<u>46,637</u>	<u>1</u>	<u>13,892</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	671,295	19	(206,126)	(5)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	(134,259)	(4)	41,225	1
		<u>537,036</u>	<u>15</u>	<u>164,901</u>	<u>4</u>
8300	Other comprehensive income or loss for the period (net of income tax)	<u>583,673</u>	<u>16</u>	<u>151,009</u>	<u>3</u>

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Code		2022		2021	
		Amount	%	Amount	%
8500	Total comprehensive income for the year	<u>\$ 2,104,083</u>	<u>58</u>	<u>\$ 1,908,774</u>	<u>45</u>
	Earnings per share (Note 20)				
9750	Basic	<u>\$ 5.10</u>		<u>\$ 6.91</u>	
9850	Diluted	<u>\$ 5.09</u>		<u>\$ 6.90</u>	

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

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Statements of Changes in Equity

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		Capital Surplus (Note 17)				Other Equity Items (Notes 4 and 17)					
		Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition				Retained Earnings (Note 17)			Exchange Differences on Translating Foreign Operations	Unrealized Profit or loss of Financial Assets Measured at Fair Value through Other Comprehensive Income	Total Equity
Code		Common Stock (Note 17)	Premium from Stock		Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings			
A1	Balance at January 1, 2021	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	(\$ 542,523)	(\$ 29,675)	\$ 9,809,085
C3	Donation from shareholders	-	-	-	51	-	-	-	-	-	51
	Appropriation of 2020 earnings										
B1	Legal reserve	-	-	-	-	153,010	-	(153,010)	-	-	-
B3	Special reserve	-	-	-	-	-	123,855	(123,855)	-	-	-
B5	Cash dividends	-	-	-	-	-	-	(893,892)	-	-	(893,892)
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(63,527)	-	-	(63,527)
D1	Net profit for the year ended December 31, 2021	-	-	-	-	-	-	2,059,783	-	-	2,059,783
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	13,892	(164,901)	-	(151,009)
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	2,073,675	(164,901)	-	1,908,774
Z1	Balance at December 31, 2021	2,979,639	615,831	111,914	232	1,640,637	572,198	5,577,139	(707,424)	(29,675)	10,760,491
C3	Donation from shareholders	-	-	-	107	-	-	-	-	-	107
	Appropriation of 2021 earnings										
B1	Legal reserve	-	-	-	-	201,015	-	(201,015)	-	-	-
B3	Special reserve	-	-	-	-	-	164,901	(164,901)	-	-	-
B5	Cash dividends	-	-	-	-	-	-	(1,042,874)	-	-	(1,042,874)
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(37,438)	-	-	(37,438)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	-	1,520,410	-	-	1,520,410
D3	Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	42,459	537,036	4,178	583,673
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	1,562,869	537,036	4,178	2,104,083
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(25,497)	-	25,497	-
Z1	Balance at December 31, 2022	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 339	\$ 1,841,652	\$ 737,099	\$ 5,668,283	(\$ 170,388)	\$ -	\$ 11,784,369

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Statements of Cash Flows

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	Cash flows from operating activities		
A10000	Income before income tax	\$1,928,803	\$2,566,167
A20010	Adjustments for:		
A20100	Depreciation expense	211,650	237,238
A20200	Amortization expense	514	298
A20300	Expected credit loss reversed	(6,685)	(1,408)
A20900	Finance costs	10,137	14,567
A21200	Interest income	(4,886)	(429)
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(1,457,110)	(1,846,416)
A22500	Loss from disposal of property, plant and equipment	-	91
A23700	Impairment loss recognized on non-financial assets	27,649	38,311
A24000	Realized gain on the transactions with subsidiaries and associates	(17,544)	(9,289)
A24100	Unrealized foreign currency exchange loss, net	1,494	214
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	54,833	38,317
A31150	Trade receivables	264,884	(30,772)
A31180	Other receivables	5,938	(3,633)
A31200	Inventories	28,426	(207,776)
A31240	Other current assets	24,653	(19,907)
A32130	Notes payable	(28,027)	43,664
A32150	Trade payables	(70,408)	(15,575)
A32180	Other payables	(29,175)	40,301
A32230	Other current liabilities	(17,154)	(31,529)
A32240	Net defined benefit liabilities	(21,992)	(10,462)
A33000	Cash generated from operations	906,000	801,972
A33100	Interest received	4,886	429
A33200	Dividend received	1,185,206	705,711
A33300	Interest paid	(10,241)	(14,512)
A33500	Income tax paid	(222,171)	(304,239)
AAAA	Net cash generated from operating activities	<u>1,863,680</u>	<u>1,189,361</u>

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Code		2022	2021
	Cash flow from investment activities		
B00040	Purchase of financial assets at amortized cost	(\$ 230,769)	(\$ 434,643)
B00050	Proceeds from disposal of financial assets at amortized cost	434,635	331,392
B02400	Proceeds from decapitalization of investees accounted for using the equity method	486,047	537,505
B02700	Payments for property, plant and equipment	(409,909)	(204,244)
B02800	Proceeds from disposal of property, plant and equipment	-	438
B03700	Increase in refundable deposits	(15,935)	(513)
B04500	Acquisition of Intangible Assets	(440)	(1,200)
B07100	Increase in prepayment for machinery and equipment	(<u>59,981</u>)	(<u>54,890</u>)
BBBB	Net cash generated from investment activities	<u>203,648</u>	<u>173,845</u>
	Cash flow from financing activities		
C00100	Net decrease in short-term borrowings	(100,000)	(450,000)
C01600	Proceeds from long-term borrowings	2,000,000	1,427,937
C01700	Repayments of long-term borrowings	(2,429,549)	(1,406,220)
C04020	Repayment of the principal portion of lease liabilities	(5,246)	(4,853)
C04500	Distribution of cash dividend	(1,042,874)	(893,892)
C09900	Overdue dividend	<u>107</u>	<u>51</u>
CCCC	Net cash used in financing activities	(<u>1,577,562</u>)	(<u>1,326,977</u>)
EEEE	Net Increase in Cash and Cash Equivalents	489,766	36,229
E00100	Cash and Cash Equivalents at the Beginning of the Year	<u>231,187</u>	<u>194,958</u>
E00200	Cash and Cash Equivalents at the End of the Year	<u>\$ 720,953</u>	<u>\$ 231,187</u>

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

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Notes to Financial Statements

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. General Information

TAIWAN PAIHO LIMITED (hereinafter referred to as “the Corporation”) was incorporated in January 1985. It manufactures and sells touch fasteners, webbing, shoelaces, elastic, easy tape and relevant peripheral materials as well as the sale of residential buildings constructed by entrusted construction contractors.

The Corporation was approved to list its stock at Taiwan Stock Exchange (TWSE) for trading in January 2001.

The financial statements are presented in the Corporation’s functional currency, New Taiwan dollar.

II. Approval of Financial Statements

These parent only financial statements were approved by the Board of Directors on March 15, 2023.

III. Application of New and Amended Standards and Interpretations

(I) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial applications of the IFRSs endorsed and issued into effect by the FSC do not have any material impact on the accounting policies of the Corporation.

(II) IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendment to IAS 1, “Disclosure of accounting policies”	January 1, 2023 (Note 1)
Amendment to IAS 8, “Definition of accounting estimate”	January 1, 2023 (Note 2)
Amendment to IAS 12 “Deferred Income Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied for annual reporting of the periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting periods of January 1, 2023.

Note 3: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, through the Corporation's assessment, there have not been significant effects to the financial positions and result due to the adjustments from the standards and interpretations stated above.

(III) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective date announced by IASB (Note 1)
Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture s"	To be determined by IASB
Amendment to IFRS 16 "lease Liabilities in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Amendment to IFRS 16 is applied retrospectively for sale-leaseback transactions contracted after the initial application of IFRS 16

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the reporting period; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
3. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities do not fit in the descriptions above are classified as non-current.

(IV) Foreign currencies

In preparing the financial statements, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the parent only financial statements, the assets and liabilities of the Corporation's foreign operations are translated into NT\$ using

exchange rates prevailing the end of each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

If the partial disposal of the foreign operating subsidiary does not result in the loss of control, the cumulative exchange difference is proportionally incorporated into the equity transaction calculation, but it is not recognized as profit or loss. In the case of any other partial disposal of foreign operating subsidiary, the accumulated exchange difference will be reclassified to profit and loss according to the proportion of the disposal.

(V) Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

(VI) Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share in equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of entities that are not related to the Corporation.

(VII) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Intangible assets

Intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Impairment of property, plant, and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant, and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its

recoverable amount, but only to the extent of the carrying amount (less depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(X) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

1. Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, restricted deposits at amortized cost, debt instruments, notes receivable, trade receivables, other receivables, refundable

deposit and guarantee deposits received, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- (1) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- (2) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- (1) Significant financial difficulty of the issuer or the borrower;
- (2) Breach of contract, such as a default;
- (3) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- (4) The disappearance of an active market for that financial asset because of financial difficulties.

2. Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent

the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- (1) Internal or external information shows that the debtor is unlikely to pay its creditors.
- (2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3. Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

1. Subsequent measurement

All the financial liabilities are carried at amortized cost using the effective interest method.

2. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(XI) Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location and the goods are shipped or picked up because it is the time when the customer has the right to use and bears the risks of goods. Trade receivables is recognized concurrently.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(XII) Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1. The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the Individual balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting in a change in future lease payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(XIII) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XIV) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occurred. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(XV) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is

probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Corporation's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation takes the recent developments of the COVID-19 pandemic, the military conflict between Russia and Ukraine, along with the associated international sanctions, and their possible impacts on the economic environment into the consideration of major accounting estimates for items such as cash flow, growth rate, discount rate and profitability. The management will continue to review the estimates

and basic assumptions. If the correction of the estimate only affects the current year, it shall be recognized in the current year of amendment; if the correction of accounting estimates affects the current and future years at the same time, it shall be recognized in the current and future years.

VI. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash and cash on hand	\$ 1,189	\$ 773
Checking accounts and demand deposits	627,634	230,414
Cash and cash equivalents		
Deposit accounts with original maturities of 3 months or less	92,130	-
	<u>\$ 720,953</u>	<u>\$ 231,187</u>
<u>Rate of interest per annum (%)</u>		
Deposits in banks	0.00-1.05	0.00-0.05
Deposit accounts with original maturities of 3 months or less	3.1	-

VII. Financial Assets at Amortized Cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Restricted deposits	<u>\$ 230,769</u>	<u>\$ 167,942</u>
<u>Non-current</u>		
Restricted deposits	<u>\$ 2,910</u>	<u>\$ 269,603</u>

Restriction deposits of NT\$297,728 thousand (US\$10,700 thousand) and NT\$395,431 thousand (US\$13,348 thousand), respectively, in 2021 and 2020 were approved for repatriation under “Regulations Governing the Financial Investment of Repatriated Offshore Funds.” Both repatriations have been used for making investment propositions to Ministry of Economic Affairs and is restricted for other usage.

For information on pledged financial assets at amortized cost, refer to Note 24.

VIII. Trade Receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
At amortized cost		
Gross carrying amount	\$ 412,784	\$ 679,229
Less: allowance for impairment loss	(17,417)	(24,102)
	<u>\$ 395,367</u>	<u>\$ 655,127</u>

The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Corporation uses publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The Corporation measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit loss. Lifetime ECLs are calculated with the consideration of past default history and current financial standing of the customers, as well as industry condition and prospects. Based on the credit loss history, in terms of loss patterns, there have not been significant differences across the customer groups for the Corporation; therefore, a unified expected credit loss rate using the number of days overdue was determined, without assigning a provision matrix for individual customer group.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	0-90 Days	91-120 Days	121-150 Days	151-180 Days	More than 181 Days	Total
<u>December 31, 2022</u>						
Expected credit loss rate	0.04%	3.10%	23.97%	100%	100%	
Gross carrying amount	\$ 373,606	\$ 18,478	\$ 5,305	\$ 4,639	\$ 10,756	\$ 412,784
Loss allowance (Lifetime ECLs)	(<u>178</u>)	(<u>572</u>)	(<u>1,272</u>)	(<u>4,639</u>)	(<u>10,756</u>)	(<u>17,417</u>)
Amortized cost	<u>\$ 373,428</u>	<u>\$ 17,906</u>	<u>\$ 4,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,367</u>
<u>December 31, 2021</u>						
Expected credit loss rate	1-4%	10%	30%	50-80%	70-100%	
Gross carrying amount	\$ 630,425	\$ 38,505	\$ 2,539	\$ 310	\$ 7,450	\$ 679,229
Loss allowance (Lifetime ECLs)	(<u>12,221</u>)	(<u>3,851</u>)	(<u>949</u>)	(<u>244</u>)	(<u>6,837</u>)	(<u>24,102</u>)
Amortized cost	<u>\$ 618,204</u>	<u>\$ 34,654</u>	<u>\$ 1,590</u>	<u>\$ 66</u>	<u>\$ 613</u>	<u>\$ 655,127</u>

The movements of the allowance for doubtful trade receivables were as follows:

	2022	2021
Balance at January 1	\$ 24,102	\$ 25,510
Less: Net remeasurement of loss allowance	(<u>6,685</u>)	(<u>1,408</u>)
Balance at December 31	<u>\$ 17,417</u>	<u>\$ 24,102</u>

IX. Inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 217,059	\$ 228,432
Work in progress	75,923	97,798
Raw materials	173,097	180,585
Supplies	30,523	40,371
Inventory in transit	-	5,490
	<u>\$ 496,602</u>	<u>\$ 552,676</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was NT\$2,718,145 thousand and \$2,955,501 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$27,649 thousand and NT\$38,311 thousand.

X. Investments Accounted for Using the Equity Method

Investments in Subsidiaries	December 31, 2022	December 31, 2021
Paiho Int'l Limited	\$ 6,972,118	\$ 6,575,805
Vietnam Paiho Limited	1,428,604	1,276,694
Paiho Group Inc.	1,191,299	816,239
PT. Paiho Indonesia	425,127	944,897
Paiho North America Corporation	237,839	191,490
Spring Rich Limited	5,958	5,540
	<u>\$ 10,260,945</u>	<u>\$ 9,810,665</u>

Subsidiaries	Ownership Percentage and Voting Rights	
	December 31, 2022	December 31, 2021
Paiho Int'l Limited	100%	100%
Vietnam Paiho Limited	33%	33%
Paiho Group Inc.	100%	100%
PT. Paiho Indonesia	99%	99%
Paiho North America Corporation	100%	100%
Spring Rich Limited	100%	100%

Refer to Table 11 and 12 for the information on investee structure for the years ended December 31, 2022 and 2021.

XI. Property, Plant and Equipment

2022	Land	Buildings	Machinery and Equipment	Transportation Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 503,389	\$ 1,144,542	\$ 1,331,834	\$ 42,348	\$ 23,024	\$ 610,672	\$ 3,655,809
Addition	42,031	47,851	32,686	764	9,479	275,753	408,564
Disposal	-	(15,815)	(305,378)	(1,899)	(3,900)	-	(326,992)
Reclassified amount	-	743,069	44,498	-	21,727	(747,242)	62,052
Balance at December 31, 2022	<u>\$ 545,420</u>	<u>\$ 1,919,647</u>	<u>\$ 1,103,640</u>	<u>\$ 41,213</u>	<u>\$ 50,330</u>	<u>\$ 139,183</u>	<u>\$ 3,799,433</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 293,787	\$ 820,488	\$ 17,525	\$ 10,918	\$ -	\$ 1,142,718
Addition	-	45,899	150,390	6,532	3,431	-	206,252
Disposal	-	(15,815)	(305,378)	(1,899)	(3,900)	-	(326,992)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 323,871</u>	<u>\$ 665,500</u>	<u>\$ 22,158</u>	<u>\$ 10,449</u>	<u>\$ -</u>	<u>\$ 1,021,978</u>
Balance at December 31, 2022, net	<u>\$ 545,420</u>	<u>\$ 1,595,776</u>	<u>\$ 438,140</u>	<u>\$ 19,055</u>	<u>\$ 39,881</u>	<u>\$ 139,183</u>	<u>\$ 2,777,455</u>
<u>2021</u>							
<u>Cost</u>							
Balance at January 1, 2021	\$ 501,389	\$ 1,163,054	\$ 1,362,820	\$ 36,017	\$ 21,453	\$ 456,592	\$ 3,541,325
Addition	-	5,676	15,486	5,663	1,684	160,601	189,110
Disposal	-	(24,188)	(86,407)	(984)	(533)	-	(112,112)
Reclassification	2,000	-	39,935	1,652	420	(6,521)	37,486
Balance at December 31, 2021	<u>\$ 503,389</u>	<u>\$ 1,144,542</u>	<u>\$ 1,331,834</u>	<u>\$ 42,348</u>	<u>\$ 23,024</u>	<u>\$ 610,672</u>	<u>\$ 3,655,809</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 274,237	\$ 727,402	\$ 11,874	\$ 8,520	\$ -	\$ 1,022,033
Addition	-	43,646	179,493	6,198	2,931	-	232,268
Disposal	-	(24,096)	(86,407)	(547)	(533)	-	(111,583)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 293,787</u>	<u>\$ 820,488</u>	<u>\$ 17,525</u>	<u>\$ 10,918</u>	<u>\$ -</u>	<u>\$ 1,142,718</u>
Balance at December 31, 2021, net	<u>\$ 503,389</u>	<u>\$ 850,755</u>	<u>\$ 511,346</u>	<u>\$ 24,823</u>	<u>\$ 12,106</u>	<u>\$ 610,672</u>	<u>\$ 2,513,091</u>

The Corporation is located in Hemei Town, Changhua County, with an area of 55 square meters in the Hemei section of land (recorded as self-owned land for NT\$264 thousand), 2,597 square meters in the Zhongxiao section of land (recorded as self-owned land for NT\$8,773 thousand), and 9,774 square meters in the Tiaoxing section of land (recorded as self-owned land for NT\$84,424 thousand). These are agricultural lands temporarily registered in the names of others, with the Corporation as the rights holder and establishment of a certificate of other rights which stipulates that the Corporation has the ownership of the land.

The above items are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	5 to 55 years
Electromechanical power equipment	3 to 16 years
Engineering system	5 to 20 years
Others	7 to 8 years
Machinery and equipment	3 to 16 years
Transportation equipment	6 to 15 years
Miscellaneous equipment	5 to 35 years

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 24.

XII. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts of right-of-use assets		
Buildings	<u>\$ 30,613</u>	<u>\$ 31,376</u>
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	<u>\$ 4,635</u>	<u>\$ 6,054</u>
Depreciation charge of right-of-use		
Buildings	<u>\$ 5,398</u>	<u>\$ 4,970</u>

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts of lease liabilities		
Current	\$ 3,867	\$ 4,122
Non-current	<u>27,319</u>	<u>27,673</u>
	<u>\$ 31,186</u>	<u>\$ 31,795</u>

The discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	1.30-1.67%	1.30-1.67%

(III) Important lease and terms

As lessee, the Corporation leases certain buildings for the use of offices, employee dormitory and storage with lease terms of 1 to 33 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

(IV) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 12,010</u>	<u>\$ 12,587</u>
Expenses relating to low-value asset leases	<u>\$ 2,870</u>	<u>\$ 997</u>
Total cash outflow from leasing activities.	<u>(\$ 20,650)</u>	<u>(\$ 18,956)</u>

No right-of-use assets and lease liabilities shall be recognized for buildings qualified for short-term lease and other equipment qualified for low-value asset when the Corporation elects to apply recognition exemption.

XIII. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Tax overpayment for offset with future tax payable	\$ 37,295	\$ 59,359
Prepayments	1,525	3,229
Prepaid expenses	2,495	3,338
Others	475	517
	<u>\$ 41,790</u>	<u>\$ 66,443</u>
<u>Non-current</u>		
Refundable deposits	\$ 25,621	\$ 9,686
Others	10,880	10,880
	<u>\$ 36,501</u>	<u>\$ 20,566</u>

XIV. Borrowings

(I) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Line of secured borrowings	<u>\$ -</u>	<u>\$ 100,000</u>
Line of secured borrowings (%)	-	0.71

(II) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Line of credit borrowings – due in April 2024	\$ 200,000	\$ 630,000
Line of secured borrowings – due in August 2026	<u>898,388</u>	<u>897,937</u>
	1,098,388	1,527,937
Less: Current portion	(<u>898,388</u>)	(<u>-</u>)
Long-term borrowings	<u>\$ 200,000</u>	<u>\$ 1,527,937</u>
<u>Rate of interest per annum (%)</u>		
Line of credit borrowings	1.68	0.70
Line of secured borrowings	1.79	1.79

Please refer to Note 24 for the details of long-term borrowings secured by the Corporation's assets.

The Corporation signed a syndicated loan of NT\$1.5 billion from financial institutions including Bank of Taiwan in July 2021 for the purpose of repaying loans from financial institutions and enriching the medium-term working capital. The validity period of the contract is 5 years. The credit line is divided into lines A and B: line A is a medium-term loan line of NT\$1.5 billion, and line B is NT\$900 million as the guarantee for the issuance of commercial promissory notes. The two lines share no more than the total credit line in force at that time, and can revolve within the term of the credit contract. According to the provisions of the loan

contract, the Corporation shall achieve the following in the annual consolidated financial statements during the loan period:

1. The current ratio [current assets ÷ current liabilities] shall not be less than 100%;
2. The debt ratio [(total liabilities - advance real estate receipts (classified as contract liabilities - current) ÷ tangible net assets)] shall be less than or equal to 180%;
3. The Interest coverage ratio (profit before income tax plus interest expense, depreciation and amortization amount ÷ interest expense) shall be more than or equal to 4 times, and
4. Total tangible net assets (total equity - intangible assets) shall not be less than NT\$6 billion.

Furthermore, the Corporation cannot dispose any material assets or rights and repurchase stocks or reduce capital without the permissions of the creditor banks during the loan period.

A drawn loan of NT\$898,388 thousand was reclassified as current liabilities by the Corporation on December 31, 2022 as the consolidated current ratio did not meet the requirement under the covenant of the syndicated loan. As of the date the financial statements were authorized for issue, an exemption was granted by the syndicate to waive the requirement for the consolidated current ratio at the end 2022. There have not been significant effects to the business operation and the financial positions.

XV. Other Payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries and bonuses	\$ 177,310	\$ 198,920
Payables for compensation to employees and remuneration to directors	79,705	87,118
Payable for annual leave	17,721	18,165
Payables for purchases of building and equipment	402	1,747
Others	<u>102,332</u>	<u>102,146</u>
	<u>\$ 377,470</u>	<u>\$ 408,096</u>

XVI. Retirement Benefit Plan

(I) Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(II) Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation contribute amounts equal to 2%, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 318,944	\$ 346,370
Fair value of plan assets	(256,337)	(219,751)
Net defined benefit liabilities	<u>\$ 62,607</u>	<u>\$ 126,619</u>

Movements in the fair value of the plan liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 346,370</u>	<u>(\$ 219,751)</u>	<u>\$ 126,619</u>
Service costs			
Current service cost	1,927	-	1,927
Plan curtailment effects	(155)	-	(155)
Interest expense (income)	<u>2,365</u>	<u>(1,492)</u>	<u>873</u>
Recognized in Profit or Loss	<u>4,137</u>	<u>(1,492)</u>	<u>2,645</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(17,279)	(17,279)
Actuarial loss - changes in demographic assumptions	5	-	5
Actuarial loss - changes in financial assumptions	(17,428)	-	(17,428)
Actuarial loss - experience adjustments	<u>(7,318)</u>	<u>-</u>	<u>(7,318)</u>
Recognized in other comprehensive income	<u>(24,741)</u>	<u>(17,279)</u>	<u>(42,020)</u>
Contributions from the employer	-	(24,637)	(24,637)
Benefits paid	<u>(6,822)</u>	<u>6,822</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 318,944</u>	<u>(\$ 256,337)</u>	<u>\$ 62,607</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ 366,256	(\$ 218,837)	\$ 147,419
Service costs			
Current service cost	2,594	-	2,594
Plan curtailment effects	(446)	-	(446)
Interest expense (income)	1,071	(634)	437
Recognized in Profit or Loss	3,219	(634)	2,585
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,190)	(3,190)
Actuarial loss - changes in demographic assumptions	542	-	542
Actuarial loss - changes in financial assumptions	(13,844)	-	(13,844)
Actuarial loss - experience adjustments	6,154	-	6,154
Recognized in other comprehensive income	(7,148)	(3,190)	(10,338)
Contributions from the employer	-	(13,047)	(13,047)
Benefits paid	(15,957)	15,957	-
Balance at December 31, 2021	\$ 346,370	(\$ 219,751)	\$ 126,619

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

1. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.30%	0.70%
Expected rates of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increased by 0.25%	(\$ 6,825)	(\$ 8,308)
Decreased by 0.25%	<u>\$ 7,074</u>	<u>\$ 8,634</u>
Expected rates of salary increase		
Increased by 0.25%	<u>\$ 7,007</u>	<u>\$ 8,471</u>
Decreased by 0.25%	(<u>\$ 6,795</u>)	(<u>\$ 8,195</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan for the next year	<u>\$ 3,563</u>	<u>\$ 3,720</u>
Average duration of the defined benefit obligation	8 years	9 years

XVII. Equity

(I) Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (thousand shares)	<u>380,000</u>	<u>380,000</u>
Shares authorized	<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>297,964</u>	<u>297,964</u>
Shares issued	<u>\$ 2,979,639</u>	<u>\$ 2,979,639</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

(II) Capital surplus

The capital surplus which belongs to the premium of stock issuance, the difference between the actual price of the equity of the subsidiary acquired or disposed of and the book value, and donated assets can be used to make up for losses, and can also be used for cash distribution or share capital appropriation when the Corporation has no loss. For share capital appropriation, it is limited to a certain ratio of paid-in capital every year.

(III) Retained earnings and dividend policy

According to the earnings distribution policy of the Corporation's Articles of Incorporation, if there are earnings in the Company's annual final accounts, the Corporation shall first pay taxes to make up for the accumulated loss over the years, and 10% shall be allocated as the legal reserve, and a special reserve shall be allocated or reversed in accordance with the regulations or the competent authority's requirement. If there is still a surplus, the balance shall be added to the accumulated undistributed earnings of the previous year, and the board of directors shall draft a distribution proposal accordingly. When new shares are to be issued for it, the decision shall be submitted to the shareholders' meeting for a resolution before distribution. When all or part of the Corporation's dividends and bonuses, legally distributable legal reserve and capital surplus are distributed in cash, in accordance with Item 5, Article 240 of the Company Act, the board of directors is authorized to make a resolution in a board meeting attended by more than two-thirds of the directors, with the approval of more than half of the attending directors obtained; the resolution shall be reported to the shareholders' meeting.

Please refer to Note 18 (3) Remuneration of Employees and Directors for the distribution policy of remuneration for employees and directors which is stipulated in the Articles of Incorporation of the Corporation.

In addition, in accordance with the provisions of the Corporation's Articles of Incorporation that the dividend policy shall be in line with the overall environment and the characteristics of the mature industry, with consideration of the impact of future expansion of operations, capital requirements and taxation on the Corporation and shareholders, the Corporation's dividend distribution will be adjusted according to its profitability to maintain a stable growth of earnings per share; the dividend distribution ratio shall be no less than 25% of the current year's after-tax earnings after making up for the previous year's losses, the allocation of legal reserve, and the deduction of the other undistributed earnings of the current year. The cash dividend shall not be less than 15% of the total dividends, and the rest shall be paid in stocks.

The legal reserve shall be allocated until the balance reaches the total paid-in share capital of the Corporation. The legal reserve can be used to make up for losses. When the Corporation has no losses, the portion of the legal reserve exceeding 25% of the total paid-in share capital can be allocated in cash in addition to being allocated to capital.

The appropriations of earnings for 2021 and 2020 which have been approved in the shareholders' meetings in June 2022 and July 2021, respectively, were as follows:

	2021	2020
Legal reserve	\$ 201,015	\$ 153,010
Special reserve	\$ 164,901	\$ 123,855
Cash dividend	\$ 1,042,874	\$ 893,892
Cash dividend per share (NT\$)	\$ 3.5	\$ 3

(IV) Special reserve

The special reserve allocated for the conversion difference of the financial statements of foreign operating agencies (including subsidiaries) has been reversed based on the disposal ratio and due to the liquidation of the subsidiaries. When distributing the earnings, the difference between the net deduction of other shareholders' equity and the special reserve stated in the first application of IFRSs should be added to the special reserve at the end of the reporting period. Reversal of the net deduction of other shareholders' equity may be appropriated when it is subsequently reverted.

XVIII. Net Profit from Continuing Operations

(I) Finance costs

	2022	2021
Interest on bank borrowings	\$ 9,612	\$ 14,048
Interest on lease liabilities	525	519
	<u>\$ 10,137</u>	<u>\$ 14,567</u>

Information about capitalized interest is as follows:

	2022	2021
Capitalized interest amount	\$ 11,585	\$ 8,943
Capitalization rate (%)	1.79	1.79

(II) Employee benefit expenses, depreciation and amortization expenses

By Nature	Operating Costs	Operating Expenses and Non-operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Short-term employee benefits			
Salaries	\$ 425,694	\$ 304,360	\$ 730,054
Insurance	41,707	24,727	66,434
Remuneration of directors	-	20,754	20,754
Retirement Benefit Plan			
Defined contribution plans	12,820	11,041	23,861
Defined benefit plan (Note 16)	1,204	1,441	2,645
Other employee benefits	13,653	7,217	20,870
Depreciation expense	183,295	28,355	211,650
Amortization expense	-	514	514

<u>By Nature</u>	<u>Operating Costs</u>	<u>Operating Expenses and Non-operating Expenses</u>	<u>Total</u>
<u>For the Year Ended</u>			
<u>December 31, 2021</u>			
Short-term employee benefits			
Salaries	474,753	288,364	763,117
Insurance	41,316	23,497	64,813
Remuneration of directors	-	26,574	26,574
Retirement Benefit Plan			
Defined contribution plans	13,249	10,029	23,278
Defined benefit plan (Note 16)	1,328	1,257	2,585
Other employee benefits	14,207	7,223	21,430
Depreciation expense	186,014	51,224	237,238
Amortization expense	-	298	298

As of 2022 and 2021, the Corporation had 1,002 and 999 employees, respectively. There were four members of directors who had no employment relationship with the Corporation. The head counts were the same as those used as the basis in the calculation of employee benefit expense.

As of 2022 and 2021, the average of employee benefits expenses were \$846 thousand and \$880 thousand, respectively; as of year 2022 and 2021, the average of employee salaries were \$732 thousand and \$767 thousand, respectively, and the change of the average employee salaries was (4.6%).

The remuneration of the board of directors of the Corporation is paid in accordance with the “Directors’ Remuneration Payment Method” of the Corporation. After the end of the current period, the remuneration is calculated with the above mentioned method by the Salary and Remuneration Committee and is reported the shareholders’ meeting after the resolution of the board of directors. If the directors are also employees, they shall be paid according to the following regulation.

The remuneration standards of the managers are determined by the Corporation’s Human Resources Department in accordance with the individual performance evaluated with the regulation of personnel performance appraisal and the overall contribution to the Corporation, subjecting to review by the Salary and Remuneration Committee and resolution of the board of directors.

The remuneration for the Corporation’s staff (excluding the board of directors and managers) is calculated based on the job content, personnel performance, and the Corporation’s operating performance. The composition of salary mainly includes basic salary, position and special bonus, employee’s compensation (dividend) and employee benefits. Basic salary and position bonus are determined with references to

general salary of each position in the same industry market. Special bonus is calculated and distributed based on the department and employee performance. Employee's compensation (dividend) is based on the personnel performance and the Corporation's operating performance. Employee's benefits are designed in accordance with local customs and laws, and the Corporation's affordability.

(III) Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Corporation's board of directors on March 15, 2023 and March 25, 2022, respectively, are as follows:

Cash and Cash Equivalents	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1.36%	\$ 26,736	1.38%	\$ 36,220
Remuneration of directors	0.87%	17,233	0.89%	23,347

If the amount of the annual financial statements is still subject to changes after the date of publication, such changes shall be treated as accounting estimate changes and adjusted and recorded in the next year.

The actual appropriations to employees and directors for the period of 2021 and 2020 were different from the amount recognized in the corresponding financial statements. The differences were adjusted to the profit and loss in the period of 2022 and 2021, respectively.

	2021		2020	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amount resolved in the board of directors	<u>\$ 36,220</u>	<u>\$ 23,347</u>	<u>\$ 27,288</u>	<u>\$ 17,589</u>
Amount recognized in the financial statement	<u>\$ 36,372</u>	<u>\$ 23,458</u>	<u>\$ 27,367</u>	<u>\$ 17,654</u>

Information on the employee compensation and remuneration to directors resolved by the board of directors for the period of 2023 and 2022 is available on the "Market Observation Post System" website of the TWSE.

(IV) Gains or losses on foreign currency exchange

	2022	2021
Foreign exchange gains	\$ 138,865	\$ 18,534
Foreign exchange losses	(31,714)	(55,563)
Net gain (loss)	<u>\$ 107,151</u>	<u>(\$ 37,029)</u>

XIX. Income Taxes

(I) Major components of income tax expense recognized in profit or loss

	2022	2021
Current tax		
In respect of the current year	\$ 310,998	\$ 254,959
Income tax on unappropriated earnings	20,876	17,437
Adjustment for previous year	(1,967)	(6,075)
	329,907	266,321
Deferred tax		
In respect of the current year	78,486	240,063
Income tax expense recognized in profit or loss	<u>\$ 408,393</u>	<u>\$ 506,384</u>

A reconciliation of accounting profit and income tax expense is as follows:

	2022	2021
Income tax expense calculated at the statutory rate	\$ 385,761	\$ 513,233
Nondeductible expenses in determining taxable income	648	827
Temporary difference	3,075	10,548
Income tax on unappropriated earnings	20,876	17,437
Adjustments for prior years' tax	(1,967)	(6,075)
Tax cut on repatriated funds	-	(29,586)
Income tax expense recognized in profit or loss	<u>\$ 408,393</u>	<u>\$ 506,384</u>

(II) Income tax recognized in other comprehensive income

	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	\$ 8,405	\$ 2,067
Translation of foreign operations	134,259	(41,225)
	<u>\$ 142,664</u>	<u>(\$ 39,158)</u>

(III) Deferred tax assets and liabilities

Changes of deferred tax assets and liabilities:

2022	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit obligation	\$ 25,423	(\$ 4,404)	(\$ 8,405)	\$ 12,614
Allowance for inventory value decline	35,743	923	-	36,666
Profit from associates	11,060	(3,509)	-	7,551
Exchange difference on foreign operations	125,671	-	(125,671)	-
Unrealized foreign currency exchange loss	2,382	(2,382)	-	-
Doubtful debts	4,136	(694)	-	3,442
	<u>\$ 204,415</u>	<u>(\$ 10,066)</u>	<u>(\$ 134,076)</u>	<u>\$ 60,273</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unappropriated earnings of subsidiaries	\$1,276,042	\$ 54,297	\$ -	\$1,330,339
Exchange differences on translating foreign operations	-	-	8,588	8,588
Unrealized exchange profit	-	14,123	-	14,123
	<u>\$1,276,042</u>	<u>\$ 68,420</u>	<u>\$ 8,588</u>	<u>\$1,353,050</u>
2021				
<u>Deferred tax assets</u>				
Temporary difference				
Defined benefit obligation	\$ 29,587	(\$ 2,097)	(\$ 2,067)	\$ 25,423
Allowance for inventory value decline	29,646	6,097	-	35,743
Profit from associates	12,918	(1,858)	-	11,060
Exchange difference on foreign operations	84,446	-	41,225	125,671
Unrealized foreign currency exchange loss	5,310	(2,928)	-	2,382
Doubtful debts	4,402	(266)	-	4,136
	<u>\$ 166,309</u>	<u>(\$ 1,052)</u>	<u>\$ 39,158</u>	<u>\$ 204,415</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unappropriated earnings of subsidiaries	<u>\$1,037,031</u>	<u>\$ 239,011</u>	<u>\$ -</u>	<u>\$1,276,042</u>

(IV) Income tax assessments

The tax filings for the Corporation as of the end as of the end of 2020 has been verified by the tax collection agency.

XX. Earnings per Share

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings per Share (NT\$)
<u>For the year ended December 31,</u> <u>2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 1,520,410	297,964	<u>\$ 5.10</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>582</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 1,520,410</u>	<u>298,546</u>	<u>\$ 5.09</u>
<u>For the year ended December 31,</u> <u>2021</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Corporation	\$ 2,059,783	297,964	<u>\$ 6.91</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>522</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Corporation plus effect of potentially dilutive common stock	<u>\$ 2,059,783</u>	<u>298,486</u>	<u>\$ 6.90</u>

The Corporation offered to settle compensation paid to employees in cash or shares; thus the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

XXI. Capital Risk Management

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the amount of new share issued or repurchased, and the amount of new debt issued or existing debt redeemed.

XXII. Financial Instruments

(I) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial Assets at Amortized		
Cost (Note 1)	\$ 1,440,384	\$ 1,459,080
<u>Financial Liabilities</u>		
At amortized cost (Note 2)	1,643,726	2,302,336

Note 1: The balance includes financial assets measured at amortized cost, which comprise cash and cash equivalents, restricted deposit, notes receivable, trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables and long-term borrowings, finance lease payable, guarantee deposits received.

(II) Financial risk management objective and policies

The Corporation's major financial instruments include deposits, financial assets at amortized cost, trade receivables, payable, borrowings and lease liabilities. The Corporation's Corporate Treasury function provides services to the business, coordinates with financial markets, monitors and manages the financial risks relating to the operations of the Corporation. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1. Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(1) Exchange rate risk

The Corporation have foreign currency sales and purchases, which exposed the Corporation to foreign currency risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Corporation is mainly exposed to the USD and RMB.

The following table details the Corporation's sensitivity to a 1% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associates with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit.

Currency	Impact on Profit and Loss	
	2022	2021
USD	\$ 6,193	\$ 7,648
RMB	649	1,630

The Corporation's exposure was mainly attributable to the outstanding receivables in USD and RMB, which were not hedged at the end of the reporting period.

In the management's opinion, sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

(2) Interest rate risk

The Corporation is exposed to interest rate risk because the Corporation borrows funds at both fixed and floating interest rates.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Short-term borrowings	\$ -	\$ 100,000
Interest rate risk on cash flow		
Long-term borrowings	1,098,388	1,527,937

Sensitivity analysis

The sensitivity analysis below was based on the exposure to interest rates of non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate changes had been 0.25% higher/lower and all other variables remained constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$2,746 thousand and \$3,820 thousand, respectively.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparty to discharge its obligation mainly came from:

- (1) The carrying amount of the financial assets as stated in the unconsolidated balance sheets.
- (2) The financial guarantee provided is the maximum amount that the Company may be required to pay without the consideration of the possibility of occurrence.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral.

In order to minimize credit risk, the Corporation has set up credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt periodically to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the management believes the management credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical locations. On-going credit evaluation is performed on the financial condition of debtors in trade receivables.

3. Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Corporation had available unutilized bank loan facilities of \$3,881,850 thousand and \$3,652,200 thousand, respectively.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details the Corporation's remaining contractual obligations for its non-derivative financial liabilities with agreed repayment periods. The tables below had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay, including both interest and principal cash flows.

Non-Derivative Financial Liabilities	Within 3 Months	3 Months to 1 Year	More than 1 Year
<u>December 31, 2022</u>			
No interest-bearing	\$ 465,055	\$ 80,134	\$ 149
Lease liabilities	1,739	5,019	35,956
Long-term borrowings	898,388	-	200,000
	<u>\$ 1,365,182</u>	<u>\$ 85,153</u>	<u>\$ 236,105</u>
<u>December 31, 2021</u>			
No interest-bearing	\$ 582,309	\$ 92,060	\$ 30
Lease liabilities	1,370	3,235	33,597
Short-term borrowings	100,000	-	-
Long-term borrowings	-	-	1,527,937
	<u>\$ 683,679</u>	<u>\$ 95,295</u>	<u>\$ 1,561,564</u>

Lease liabilities that are not yet overdue at the end of the year were as follows:

	Less Than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	More than 20 Years
<u>December 31, 2022</u>						
Lease liabilities	<u>\$ 6,758</u>	<u>\$ 12,902</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 8,654</u>
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 4,605</u>	<u>\$ 9,597</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 9,600</u>

XXIII. Transactions with Related Parties

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

(I) Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Corporation</u>
Sen-Mei Cheng	Current chairman of the Corporation.
Paiho Int'l Limited	Subsidiary
PT. Paiho Indonesia	Subsidiary
Paiho North America Corporation	Subsidiary
Spring Rich Limited	Subsidiary
Vietnam Paiho Limited	Subsidiary
Paiho Shih Holdings Corporation	Subsidiary
Zhong Yuan Xing Ye Company Ltd.	Subsidiary
Thomas Dynamic Material (jiangsu) Co., Ltd.	Subsidiary
Dongguan Paiho Powder Coating Co., Ltd.	Subsidiary
Dongguan Paihong Industry Co., Ltd.	Subsidiary
China Star International Limited	Subsidiary
Paiho Holdings Limited	Subsidiary
Wuxi Paisen Commerce Co., Ltd.	Subsidiary
Hon Shin Corp.	Subsidiary
A-Wei Cheng Chen	Other related parties
Cheng-Tsung Cheng	Other related parties
Huan-Tung Tseng	Other related parties
Mei-Ting Yang	Other related parties
Kuo-Chih Lai	Other related parties
Po-Hsun Huang	Other related parties

(II) Sales of goods

<u>Related Parties Category/Name</u>	<u>2022</u>	<u>2021</u>
Fellow subsidiaries		
Vietnam Paiho Limited	\$ 356,131	\$ 405,688
Others	<u>349,470</u>	<u>578,116</u>
	<u>\$ 705,601</u>	<u>\$ 983,804</u>

The selling prices for related parties are quoted at cost plus 15% or according to market price. The terms of collection are about three months.

(III) Purchase of goods

<u>Related Parties Category/Name</u>	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 129,268</u>	<u>\$ 69,022</u>

The purchasing prices are according to the market price and the terms of payment are about three months.

(IV) Non-operating income – other income

<u>Related Parties Category/Name</u>	<u>2022</u>	<u>2021</u>
Fellow subsidiaries		
PT. Paiho Indonesia	\$ 16,319	\$ 11,984
Vietnam Paiho Limited	14,886	10,605
Others	<u>203</u>	<u>206</u>
	<u>\$ 31,408</u>	<u>\$ 22,795</u>

The non-operating income consisted of fee income from endorsement/guarantee for subsidiaries and service income.

(V) Receivable from related parties (excluding loans to related parties)

<u>Related Parties Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fellow subsidiaries		
Zhong Yuan Xing Ye Company Ltd.	\$ 30,797	\$ 23,679
Vietnam Paiho Limited	25,725	34,799
Dongguan Paihong Industry Co., Ltd	24,945	36,237
Thomas Dynamic Material (jiangsu) Co., Ltd.	16,633	99,951
Paiho North America Corporation	<u>4,995</u>	<u>9,415</u>
	<u>\$ 103,095</u>	<u>\$ 204,081</u>

(VI) Receivable from related parties (excluding loans to related parties)

<u>Related Parties Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary		
Vietnam Paiho Limited	2,515	9,457
Others	<u>16</u>	<u>6</u>
	<u>\$ 2,531</u>	<u>\$ 9,463</u>

(VII) Other payables

<u>Related Parties Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Spring Rich Limited	<u>\$ 526</u>	<u>\$ 466</u>

(VIII) Other receivables

<u>Related Parties Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fellow subsidiaries		
PT. Paiho Indonesia	\$ 4,237	\$ 2,957
Vietnam Paiho Limited	3,385	3,685
Dongguan Paiho Powder Coating Co., Ltd.	-	5,175
Others	<u>511</u>	<u>2,023</u>
	<u>\$ 8,133</u>	<u>\$ 13,840</u>

The other receivables were mainly advanced payments.

(IX) Temporary credits (classified as other current liabilities)

<u>Related Parties Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fellow subsidiaries		
Paiho Int'l Limited	\$ 233	\$ -
Vietnam Paiho Limited	<u>6</u>	<u>12,492</u>
	<u>\$ 239</u>	<u>\$ 12,492</u>

The temporary receipts were collections for subsidiaries.

(X) Acquisitions of property, plant and equipment

<u>Related Parties Category/Name</u>	<u>Purchase Price</u>	
	<u>2022</u>	<u>2021</u>
subsidiaries	<u>\$ 4,863</u>	<u>\$ -</u>

(XI) Lease agreements

<u>Accounting Item Posted</u>	<u>Related Parties Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities	Other related parties	<u>\$ 22,044</u>	<u>\$ 22,630</u>

<u>Related Parties Category/Name</u>	<u>2022</u>	<u>2021</u>
<u>Interest expense</u>		
Other related parties	<u>\$ 374</u>	<u>\$ 384</u>

<u>Lease expenses (included in cost of goods sold and operating expense)</u>		
Other related parties	<u>\$ 1,542</u>	<u>\$ 1,890</u>

The rental rate is based on the rental in the neighboring area, and is subject to agreement between the parties.

(XII) Endorsements and guarantees

Acquiring Endorsement/guarantee

<u>Category/Name of Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sen-Mei Cheng		
Endorsed Amount	\$ 4,310,000	\$ 4,110,000
Actual Borrowing Amount	(900,000)	(1,000,000)
	<u>\$ 3,410,000</u>	<u>\$ 3,110,000</u>

A portion of long- and short-term borrowing of the Corporation is endorsed by the Chairman of the Corporation.

(XIII) Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 70,810	\$ 74,933
Post-employment benefits	486	465
	<u>\$ 71,296</u>	<u>\$ 75,398</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXIV. Pledged Assets as Collateral or for Security

The following assets were provided as collateral for long-term borrowings, bank guarantees and the power company's guarantee funds:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at amortized cost	\$ 2,910	\$ 2,910
Property, plant and equipment	406,661	414,709
	<u>\$ 409,571</u>	<u>\$ 417,619</u>

XXV. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Except as mentioned in other notes, the significant commitments and contingencies of the Corporation on the balance sheet date are as follows:

(I) Unrecognized commitments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 290,259</u>	<u>\$ 351,704</u>

- (II) The Corporation signed a 10-year technology sales contract with a non-related party in July 2008, and the Corporation obtained the expertise in the production of injection molded Velcro. According to the contract, the Corporation is required to pay a premium of US\$281 thousand each year, and an additional premium will be paid according to a certain percentage of the sales volume at the end of each year. The contract has been extended for another 10 years since the expiration in 2018.
- (III) The shareholders' meeting of the Corporation resolved in a special session dated September 2, 2010 for entering into the "Comprehensive Agreement on the Use of Trademarks and Patents, Sale Region Partitioning, and Related-Party Transactions" between the Corporation and Paiho Shih Holdings Corporation. Paiho Shih Holdings Corporation promised to purchase the equity shares issued by Paiho Europe, S.A. and the Paiho North America Corporation at fair value after listing at TWSE for trading or through its subsidiaries at the right time under the appraisal of professional institutions. In supporting the application of Paiho Shih Holdings Corporation for listing at TWSE, the shareholders' meeting of the Corporation resolved in regular session dated April 21, 2011 to amend the content of the above agreement in the aspects of the partition of sale regions and restriction of competition between the contracting parties. Affected by the poor operation environment, the Corporation has shut down its operation in Paiho Europe, S.A. As a result, Paiho Shih Holdings Corporation wrote to TWSE on February 27, 2014 informing that the subject company of the previous undertaking of "incorporating Paiho Europe, S.A. to the operation system" is no longer in existence and the aforementioned undertaking cannot be accomplished.

XXVI. Significant Assets and Liabilities Denominated in Foreign Currencies

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Financial Assets	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Monetary items</u>						
USD	\$ 20,166	30.710	\$ 619,294	\$ 27,630	27.680	\$ 764,789
RMB	14,720	4.408	64,884	37,529	4.344	163,026
<u>Non-monetary items</u>						
<u>Investment accounted for using the equity method</u>						
USD	333,930	30.710	10,254,988	355,321	27.680	9,835,284

Significant unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain and Loss	Exchange Rate	Net Foreign Exchange Gain and Loss
USD	30.710	(\$ 1,741)	27.680	(\$ 704)
RMB	4.408	130	4.344	8
		(\$ 1,611)		(\$ 696)

XXVII. Separately Disclosed Item

- (I) Information about significant transactions and Information about significant transactions and (II) investees:
1. Financing provided to others: See Table 1.
 2. Endorsement/guarantee provided: See Table 2.
 3. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): See Table 3.
 4. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. See Table 4.
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: See Table 5.
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of

the paid-in capital: None.

7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 7.
9. Trading in derivative instruments: None.
10. Information of the investees: See Table 8.

(III) Information on Investment in Mainland China

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss recognized, carrying amount of the investment at the year end, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table 9.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of inventory purchase and the balance and percentage of the related payables at the end of the year: See Table 6.
 - (2) The amount and percentage of sales and the balance and percentage of the related accounts receivable at the end of the year: See Table 6.
 - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: See Table 2.
 - (5) The highest balance, the end of year balance, the interest rate range, and total current period interest with respect to financing of funds: See Table 1.
 - (6) Other transactions with a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

(IV) Information on major shareholders:

The list of all shareholders with ownership of 5 percent or greater: See Table 10.

Table 1
TAIWAN PAIHO LIMITED AND SUBSIDIARIES
Financing Provided to Others
January 1 to December 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)

Number	Lender	Borrower	Item	Related Party	Highest Balance for the Period (Notes 4 and 6)	Ending balance of the Year (Notes 5 and 6)	Actual Borrowing Amount (Note 5)	Interest Rate Range	Nature of Financing (Note 7)	Business Transaction Amount	Reason for Necessary Short-term Financing (Note 7)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2, and 3)	Aggregate Financing Limit (Notes 1, 2, and 3)
													Name	Value		
1	Paiho Int'l Limited	Vietnam Paiho Limited	Receivable from related parties	Y	\$ 588,181 (USD 20,350)	\$ 412,538 (USD 13,433)	\$ 301,982 (USD 9,833)	1.3%-3.75%	Necessary for long- and short-term financing	\$ -	Operating turnover	\$ -	—	\$ -	\$ 7,218,624	\$ 7,218,624
		PT. Paiho Indonesia	Receivable from related parties	Y	91,305 (USD 3,000)	92,130 (USD 3,000)	92,130 (USD 3,000)	1.3%-3.75%	Necessary for long-term financing	-	Operating turnover	-	—	-	7,218,624	7,218,624
2	Thomas Dynamic Material (jiangsu) Co., Ltd.	Wuxi Paihong Real Estate Co., Ltd.	Receivable from related parties	Y	352,400 (RMB 80,000)	352,640 (RMB 80,000)	-	4.2%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,823,343	2,823,343
		Shanghai Best Expectation Textile Trading Limited.	Receivable from related parties	Y	89,040 (RMB 20,000)	88,160 (RMB 20,000)	-	3.4%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,823,343	2,823,343
		Wuxi Paiwei Biotechnology Co. Ltd.	Receivable from related parties	Y	129,920 (RMB 30,000)	-	-	3.6%-4.35%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,823,343	2,823,343
3	Paiho Shih Holdings Corporation	Hon Shin Corp.	Receivable from related parties	Y	472,430 (USD 17,000)	-	-	3-month TAIFX rate + 1.15%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,331,932	2,331,932
		Vietnam Paihong Limited Company	Receivable from related parties	Y	2,118,885 (USD 71,000)	2,180,410 (USD 71,000)	1,689,050 (USD 55,000)	3-month USD Libor rate + 1.28% 3-month TAIFX rate + 1.15%, and 3-month TAIFX rate + 1.10%	Necessary for short-term financing	-	Operating turnover	-	—	-	2,331,932	2,331,932
4	Hon Shin Corp.	Vietnam Paihong Limited Company	Receivable from related parties	Y	232,065 (USD 7,550)	153,550 (USD 5,000)	153,550 (USD 5,000)	3-month USD Libor rate + 1.28% and 3-month TAIFX rate + 1.10% or 2.25%	Necessary for long- and short-term financing	-	Operating turnover	-	—	-	728,837	728,837

(Continued on the following page)

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Number	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Notes 4 and 6)	Ending Balance of the Year (Notes 5 and 6)	Actual Borrowing Amount (Note 5)	Interest Rate Range	Nature of Financing (Note 7)	Business Transaction Amount	Reason for Necessary Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1, 2, and 3)	Aggregate Financing Limit (Notes 1, 2, and 3)
													Name	Value		
5	Dongguan Paihong Industry Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	Receivable from related parties	Y	\$ 1,324,000 (RMB 300,000)	\$ 881,600 (RMB 200,000)	\$ 484,880 (RMB 110,000)	3.4%-3.6%	Necessary for short-term financing	\$ -	Operating turnover	\$ -	—	\$	\$ 1,717,406	\$ 1,717,406
		Wuxi Paihong Real Estate Co., Ltd.	Receivable from related parties	Y	528,600 (RMB 120,000)	528,960 (RMB 120,000)	-	4.2%	Necessary for short-term financing	-	Operating turnover	-	—		4,293,515	4,293,515
6	Wuxi Paihong Real Estate Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	Receivable from related parties	Y	434,000 (RMB 100,000)	-	-	3.6%	Necessary for short-term financing	-	Operating turnover	-	—		1,120,632	1,120,632

- Note 1: For borrowers with 50% or more voting shares directly or indirectly owned by the Corporation and Paiho Shih Holdings Corporation, the financing limit for each borrower and aggregate financing limit is 40% of the net worth of the lender.
- Note 2: The individual and total amount of lending to companies whose voting shares are 100% owned, directly or indirectly, by the Corporation and Paiho Shih Holdings Corporation shall not exceed 40% of the net worth of lender.
- Note 3: For borrowers whose voting shares are 100% owned, directly or indirectly, by the Corporation and Paiho Shih Holdings Corporation, the individual and total amount of lending to a borrower shall not exceed the lender’s net worth.
- Note 4: The maximum amount was translated into New Taiwan dollars at prevailing exchange rate at the date of the transaction.
- Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.
- Note 6: The ending balance amount has been approved by the board of directors.
- Note 7: The restriction that the term of each loan for funding should not exceed one year shall not apply to inter-company loans for funding between offshore subsidiaries in which the Company and Paiho Shih Holdings Corporation holds, directly or indirectly, 100% of the voting shares.

Table 2
TAIWAN PAIHO LIMITED AND SUBSIDIARIES
Endorsement/Guarantee Provided
January 1 to December 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)

Number	Name of Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/Guarantee Given to Each Entity (Note 2)	Highest Endorsement/Guarantee Balance for the Current Year (Note 4)	Endorsement/Guarantee Balance at the End of the Period (Note 5)	Actual Borrowing Amount (Note 5)	Amount of Endorsement/Guarantee Secured by Assets	Ratio of Accumulated Endorsement/Guarantee Amount to Net Value in the Latest Financial Statement	Endorsement/Guarantee Limit (Note 3)	Endorsement/Guarantee by the Parent Company for the Subsidiary	Endorsement/Guarantee by the Subsidiary for the Parent Company	Endorsement/Guarantee for Companies in Mainland China
		Company Name	Relationship										
0	The Corporation	Paiho Int'l Limited	(Note 1)	\$ 11,916,948	\$ 113,140 (USD 4,000)	\$ 30,710 (USD 1,000)	\$ -	\$ -	0.26%	\$ 29,792,370	Y	—	—
		Zhong Yuan Xing Ye Company Ltd.	(Note 1)	11,916,948	57,830 (USD 2,000)	30,710 (USD 1,000)	-	-	0.26%	29,792,370	Y	—	—
		PT. Paiho Indonesia	(Note 1)	11,916,948	2,758,375 (USD 94,000)	2,272,540 (USD 74,000)	936,655 (USD 30,500)	-	19.07%	29,792,370	Y	—	—
1	Paiho Shih Holdings Corporation	Hon Shin Corp.	(Note 1)	5,829,831	2,892,810 (USD 103,000)	92,130 (USD 3,000)	-	-	1.58%	14,574,578	—	—	—
		Vietnam Paihong Limited Company	(Note 1)	5,829,831	5,408,205 (USD 183,000)	5,619,930 (USD 183,000)	4,350,286 (USD 141,657)	-	96.40%	14,574,578	—	—	—
		Hong Kong Best Expectation International Trading Limited	(Note 1)	5,829,831	4,458,000 (USD 150,000)	4,606,500 (USD 150,000)	1,468,859 (USD 47,830)	-	79.02%	14,574,578	—	—	—

Note 1: Holding more than 50% of the voting shares directly or indirectly.

Note 2: For the Corporation's endorsements and guarantees to a subsidiary with more than 50% of its voting shares held, and the endorsements and guarantees of Paiho Shih Holdings Corporation to an affiliated enterprise, the amount shall not exceed the net value of the Corporation and Paiho Shih Holdings Corporation, respectively, and the total amount shall not exceed the limit of total endorsements/guarantees.

Note 3: For the Corporation's endorsements/guarantees to subsidiaries with more than 50% of their voting shares held, and the endorsements/guarantees of Paiho Shih Holdings Corporation to affiliated enterprises, the total amount shall not exceed 250% of the net value of the Corporation and Paiho Shih Holdings Corporation, respectively.

Note 4: The maximum amount was translated into New Taiwan dollars using the maximum balance in foreign currency from the month it occurred multiplying with the prevailing exchange rate at the date of the transaction.

Note 5: The ending balance and actual borrowing amount were translated into New Taiwan dollars at prevailing exchange rate on balance sheet date.

Table 3

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Marketable Securities Held

December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Securities Holding Company	Type and Name of Marketable Securities	Relationship with Securities Issuer	Accounting Subject	Year End Balance				Remark
				Number of Shares	Carrying Amount (Notes 1 and 2)	Shareholding Ratio	Fair Value (Notes 1 and 2)	
Wuxi Paisen Commerce Co., Ltd.	Financial management products Fubon Huayi Bank – Yuexiangying RMB Structured Deposit (principal protection)	—	Financial assets measured at fair value through income statement – current	-	\$ 141,102 (RMB 32,000)	-	\$ 141,102 (RMB 32,000)	

Note 1: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Table 4

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Marketable Securities Acquired and Disposed at Costs or Prices at Least NT\$300 Million or 20% of the Paid-in Capital

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Type and Name of Marketable Securities	Accounting Subject	Counterparty	Relationship	Beginning Balance (Note 2)		Buy		Sell (Note 3)				Ending Balance (Note 2)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Value	Disposal Benefits	Number of Shares	Amount
Thomas Dynamic Material (jiangsu) Co., Ltd.	Equity	Investments accounted for using equity method	Shanghai Best Expectation Textile Trading Limited	Subsidiary	-	\$ 2,172 (RMB 500)	-	\$ 358,608 (RMB 81,100)	-	\$ -	\$ -	\$ -	-	(\$ 732,071) (RMB 166,078) (Note 2)
Dongguan Paihong Industry Co., Ltd.	Equity	Investments accounted for using equity method	Shanghai Best Expectation Textile Trading Limited	Subsidiary	-	-	-	346,669 (RMB 78,400)	-	-	-	-	-	(703,347) (RMB 159,562) (Note 2)
Hon Shin Corp.	Shareholding of Vietnam Paihong Limited Company	Investments accounted for using equity method	Hong Kong Best Expectation International Trading Limited	Subsidiary	-	1,976,235 (USD 130,000)	-	-	-	3,963,972 (USD 133,000)	1,911,191 (USD 64,125)	(Note 4)	-	-
Hong Kong Best Expectation International Trading Limited	Shareholding of Vietnam Paihong Limited Company	Investments accounted for using equity method	Hon Shin Corp.	Subsidiary	-	-	-	3,963,972 (USD 133,000)	-	-	-	-	-	1,963,568 (USD 63,939) (Note 2)

Note 1: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 2: The beginning and ending balance include the share of profits and losses of subsidiaries accounted for using the equity method and the exchange differences on translating the foreign operations.

Note 3: Carrying value include the share of profits and losses of subsidiaries accounted for using the equity method and the exchange differences on translating the foreign operations.

Note 4: An equity transaction due to restructuring. No disposition gain or loss incurred.

Table 5

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Acquisition of Individual Real Estate at Costs of at Least NT\$300 Million or 20% of the Paid-in Capital

January 1 to December 31, 2022

(In Thousands of Foreign Currency)

Acquiring Company	Asset Name	Transaction Date or Occurrence Date	Amount (Note)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is A Related Party				Pricing Reference	Purpose of Acquisition	Other Agreements
							Owner	Relationship	Transfer Date	Amount			
Wuxi Paihong Real Estate Co., Ltd.	Construction in progress	September 8, 2021 and May 19, 2022	RMB 120,411	As of December 31, 2022, RMB 114,611 has been paid	China Construction Dongfang Decoration Co., Ltd.	—	—	—	—	\$ -	Refer to market price and set out by mutual agreement.	Operating purpose	—
Vietnam Paihong Limited Company	Construction in progress	March 25, 2022 and May 10, 2022	VND 2,098,996,593	As of December 31, 2022, VND 1,568,608,259 has been paid	NEWTECONS INVESTMENT CONSTRUCTION JOINT STOCK COMAPNY	—	—	—	—	-	Refer to market price and set out by mutual agreement.	Operating purpose	—
Vietnam Paihong Limited Company	Construction in progress	August 25, 2022	VND 254,164,430	As of December 31, 2022, VND 166,665,011 has been paid	Acter Group Corporation Limited	—	—	—	—	-	Refer to market price and set out by mutual agreement.	Operating purpose	—
PT. Paiho Indonesia	Construction in progress	April 14, 2022, July 25, 2022 and November 15, 2022	IDR 184,700,000	As of December 31, 2022, IDR 115,830,000 has been paid	PT. MEGA DUNIA KONSTRUKSINDO	—	—	—	—	-	Refer to market price and set out by mutual agreement.	Operating purpose	—

Note: The amount of transactions are according to the contracts.

Table 6

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Buyer/Seller	Counterparty	Relationship	Transaction Situation				Situation and Reason why Transaction Terms are Different from Ordinary Transactions		Notes/Trade Receivables (Payable)		Remark
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	Percentage of Total Notes and Trade Receivable (Payable)	
The Corporation	Vietnam Paiho Limited	(Note)	(Sales)	\$ 356,131	(10%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	\$ 25,725	5%	—
	Dongguan Paihong Industry Co., Ltd.	(Note)	(Sales)	138,524	(4%)	Payment to be received in approximately 3 months	At cost plus 15% or at market price	About 3 months	24,945	5%	—
Zhong Yuan Xing Ye Company Ltd.	PT. Paiho Indonesia	(Note)	(Sales)	211,074 (USD 7,082)	(100%)	Payment to be received in approximately 3 months	At market price	About 3 months	36,207 (USD 1,179)	100%	—
Vietnam Paiho Limited	Paiho North America Corporation	(Note)	(Sales)	114,001 (USD 3,825)	(3%)	Payment to be received in approximately 3 months	At market price	About 3 months	18,487 (USD 602)	4%	—
Thomas Dynamic Material (jiangsu) Co., Ltd.	Dongguan Paihong Industry Co., Ltd.	(Note)	(Sales)	105,434 (RMB 23,844)	(6%)	Payment to be received in approximately 3 months	At market price	About 3 months	13,297 (RMB 3,017)	5%	—
Hon Shin Corp.	Vietnam Paihong Limited Company	(Note)	(Sales)	174,450 (USD 5,853)	(20%)	Payment to be received in approximately 3 months	At market price	About 3 months	127,198 (USD 4,142)	96%	—
Vietnam Paihong Company	Hon Shin Corp.	(Note)	(Sales)	443,414 (USD 14,878)	(41%)	Payment to be received in approximately 3 months	At market price	About 3 months	\$ 3 (USD -)	-	—

Note: Refer to Notes 10 and 23 of the financial statements.

Table 7

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Amount of Overdue Receivables from Related Parties		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Method of Treatment		
Paiho Int'l Limited	Vietnam Paiho Limited	(Note 2)	\$ 301,982 (USD 9,833)	-	\$ -	—	\$ 28,151 (USD 917)	\$ -
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company	(Note 2)	1,702,019 (USD 55,422)	-	-	—	449,326 (USD 14,631)	-
Dongguan Paihong Industry Co., Ltd.	Thomas Dynamic Material (jiangsu) Co., Ltd.	(Note 2)	486,954 (RMB 110,471)	1.93	-	—	548 (RMB 124)	-
Hon Shin Corp.	Vietnam Paihong Limited Company	(Note 2)	285,565 (USD 9,299)	2.81	-	—	4,587 (USD 149)	-
	Hong Kong Best Expectation International Trading Limited	(Note 2)	2,001,901 (USD 65,187)	-	-	—	2,001,901 (USD 65,187)	-

Note 1: Included trade receivables, other receivables and receivables from related party.

Note 2: Refer to Notes 10 and 23 of the financial statements.

Table 8

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Information on Investees

January 1 to December 31, 2022

(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Year End Holding			Profit/Loss of the Investee in the Current Year	Profit/Loss Recognized in the Current Period	Remark
				December 31, 2022	December 31, 2021	Number of shares	Ratio	Carrying Amount			
The Corporation	Paiho Int'l Limited	British Virgin Islands	International investment	\$ 511,213	\$ 511,213	14,368,564	100%	\$ 6,972,118	\$ 838,220	\$ 876,170	Subsidiary
	Paiho Group Inc.	British Virgin Islands	International investment	390,818	876,863	10,285,631	100%	425,127	(18,856)	(18,377)	Subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	536,266	536,266	178,200	99%	1,191,299	277,163	274,392	Subsidiary
	Paiho North America Corporation	California, USA	Sales of touch fasteners and various type of webbings	266,330	266,330	800,000	100%	237,839	22,358	22,358	Subsidiary
	Spring Rich Limited	Changhua County, Taiwan	Extra processing of webbings	3,000	3,000	-	100%	5,958	418	418	Subsidiary
	Vietnam Paiho Limited	Ho Chi Minh City, Vietnam	Manufacture and extra processing on touch fasteners and various type of webbings	358,776	358,776	-	33%	1,428,604	914,987	302,149	Indirect subsidiary of subsidiary
	Paiho Shih Holdings Corporation	British Cayman Islands	International investment	USD 22,869	USD 22,869	162,632,396	52%	2,909,414	555,749	(Note 1)	Indirect subsidiary
	He Mei Xing Ye Company Ltd.	British Samoa	Internal investment and trade	USD 16,263	USD 16,263	23,636,140	100%	2,936,926	613,302	(Note 1)	Indirect subsidiary
	Zhong Yuan Xing Ye Company Ltd.	British Samoa	International trading	USD 3,760	USD 3,760	3,760,000	100%	(8,724)	(6,796)	(Note 1)	Indirect subsidiary
	PT. Paiho Indonesia	Sukabumi, Indonesia	Production & marketing of touch fasteners, various type of webbings and elastics	USD 180	USD 180	1,800	1%	12,033	277,163	(Note 1)	Subsidiary
	He Mei Xing Ye Company Ltd.	Vietnam Paiho Limited	Manufacture and extra processing on touch fasteners and various type of webbings	773,954	773,954	-	67%	2,936,925	914,987	(Note 1)	Indirect subsidiary of subsidiary
	Paiho Shih Holdings Corporation	Hong Kong Antex Limited.	International investment	USD 54,335	USD 54,335	54,334,644	100%	4,856,596	797,901	(Note 1)	Indirect subsidiary of subsidiary
	Pai Lon International Trading Limited	British Virgin Islands	International trading	USD -	USD 1,791	-	-	-	5,528	(Note 1)	Indirect subsidiary of subsidiary
	Hon Shin Corp.	British Samoa	Internal investment and trade	USD 79,000	USD 130,000	79,000,000	100%	2,139,696	(245,699)	(Note 1)	Indirect subsidiary of subsidiary
	Paiho Group Inc.	Paiho Holdings Limited	International investment	390,818	876,863	10,285,631	100%	425,284	(18,855)	(Note 1)	Indirect subsidiary
	Paiho Holdings Limited.	Braits Company Limited	International investment	562,498	562,498	16,601,385	100%	315,789	(8,017)	(Note 1)	Indirect subsidiary of subsidiary
Hon Shin Corp.	Vietnam Paihong Limited Company	Binh Duong, Vietnam	Production and sale of mesh cloth and other cloth	USD -	USD 130,000	-	-	-	(269,258)	(Note 1)	Indirect subsidiary under several layers of holding
Hong Kong Best Expectation International Trading Limited	Vietnam Paihong Limited Company	Binh Duong, Vietnam	Production and sale of mesh cloth and other cloth	USD 133,000	USD -	-	100%	1,963,568	(269,258)	(Note 1)	Indirect subsidiary under several layers of holding
Shanghai Best Expectation Textile Trading Limited	Hong Kong Best Expectation International Trading Limited	Hong Kong	Internal investment and trade	USD 23,064	USD -	23,063,700	100%	(1,434,998)	(2,032)	(Note 1)	Indirect subsidiary under several layers of holding

Note 1: Information filling is exempted according to regulations.

Note 2: For information on investment in mainland China, please refer to Table 9.

Table 9
TAIWAN PAIHO LIMITED AND SUBSIDIARIES
Information on Investment in Mainland China
January 1 to December 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currency)

Name of the Investee Company in Mainland China (Note 1)	Main Businesses and Products	Paid-in Capital	Investment Method	Cumulative Investment Amount Remitted out from Taiwan at the Beginning of the Year	Outward and Inward Remittance of Funds		Cumulative Investment Amount Remitted out from Taiwan at the End of the Year	Net Income (loss) of the Investee from the Current Year	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) Recognized (Note 8)	Carrying Amount at the End of the Period (Note 8)	Accumulated Repatriation of Investment Income as of the End of the Current Period
					Outward	Inward						
Dongguan Paiho Business Service Co., Ltd.	Non-residential property leasing	\$ 151,947 (RMB 34,471)	(Note 1)	\$ -	\$ -	\$ -	\$ -	(\$ 2,854)	100%	(\$ 2,854)	\$ 150,263	\$ 1,214,739
Thomas Dynamic Material (jiangsu) Co., Ltd. (Note 7)	Processing of touch fasteners, webbing and embroidery	1,695,283 (RMB 384,592)	(Note 1)	511,620	-	-	511,620	1,132,338	52%	584,614	2,647,687	481,171
China Star International Limited	Production & marketing of powder coating	1,816 (RMB 412)	(Note 1)	201,922	-	141,644	60,278	5,520	100%	5,520	42,305	369,921
Dongguan Paiho Powder Coating Co., Ltd.	Production & marketing of powder coating	- (RMB -)	(Note 1)	35,720	-	35,720	-	(24,770)	-	(24,770)	-	45,162
Wuxi Paisen Commerce Co., Ltd.	Non-residential property leasing	239,927 (RMB 54,430)	(Note 1)	564,691	-	306,300	258,391	(12,111)	100%	(12,111)	311,370	17,598
Dongguan Paihong Industry Co., Ltd (Note 7)	Production and sale of touch fasteners, elastic, webbings, and jacquard engineered mesh, and consumer electronic accessories, etc.	1,573,778 (RMB 357,028)	(Note 1)	141,664	-	-	141,664	896,537	52%	465,715	1,597,126	195,107
Wuxi Paihong Real Estate Co., Ltd. (Note 7)	Commercial housing management, planning, consulting, and property sales, development, leasing, design and decoration	1,675,040 (RMB 380,000)	(Note 1)	(Note 2)	-	-	-	175,631	52%	90,786	1,421,619	-
Wuxi Paiwei Biotechnology Co. Ltd (Note 7)	Production and sales of masks and non-woven fabrics	573,040 (RMB 130,000)	(Note 1)	(Note 3)	-	-	-	(238,463)	52%	(122,568)	147,184	-
Shanghai Best Expectation Textile Trading Limited (Note 7)	Internal investment and trade	705,280 (RMB 160,000)	(Note 1)	(Note 4)	-	-	-	171	52%	93	(729,515)	-

Cumulative Investment Amount Remitted out from Taiwan to the Mainland China at the End of the Year	Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs	In Accordance with the Investment Quota in Mainland China Area Set by the Investment Commission of the Ministry of Economic Affairs
(\$ 841,418)(Note 8)	\$ 178,159 (USD 5,801)	No upper limit (Note 5)

Note 1: Refer to Note 10 of the parent only financial statements.

Note 2: The investment project is funded by Thomas Dynamic Material (jiangsu) Co., Ltd.

Note 3: The investment is made by Hong Kong Antex Limited.

Note 4: The investment project is funded by Thomas Dynamic Material (jiangsu) Co., Ltd and Dongguan Paihong Industry Co., Ltd.

Note 5: Under the “Principles for the Review of Investment or Technological Joint Venture in mainland China” of the Investment Commission dated August 29, 2008, the Corporation was issued the certification document for proof of within the scope of operation of the corporate headquarters by Industrial Development Bureau, MOEA, for investment in mainland China with no upper limit of the fund.

Note 6: If the figures in this table involve foreign currencies, they are converted into New Taiwan dollars at the exchange rate on the balance sheet date.

Note 7: With the reference to the audited financial statements of the parent company.

Note 8: Including the remitted investment income as of the year end that was through the cumulative investment remitted out from Taiwan to Mainland China.

Table 10

TAIWAN PAIHO LIMITED

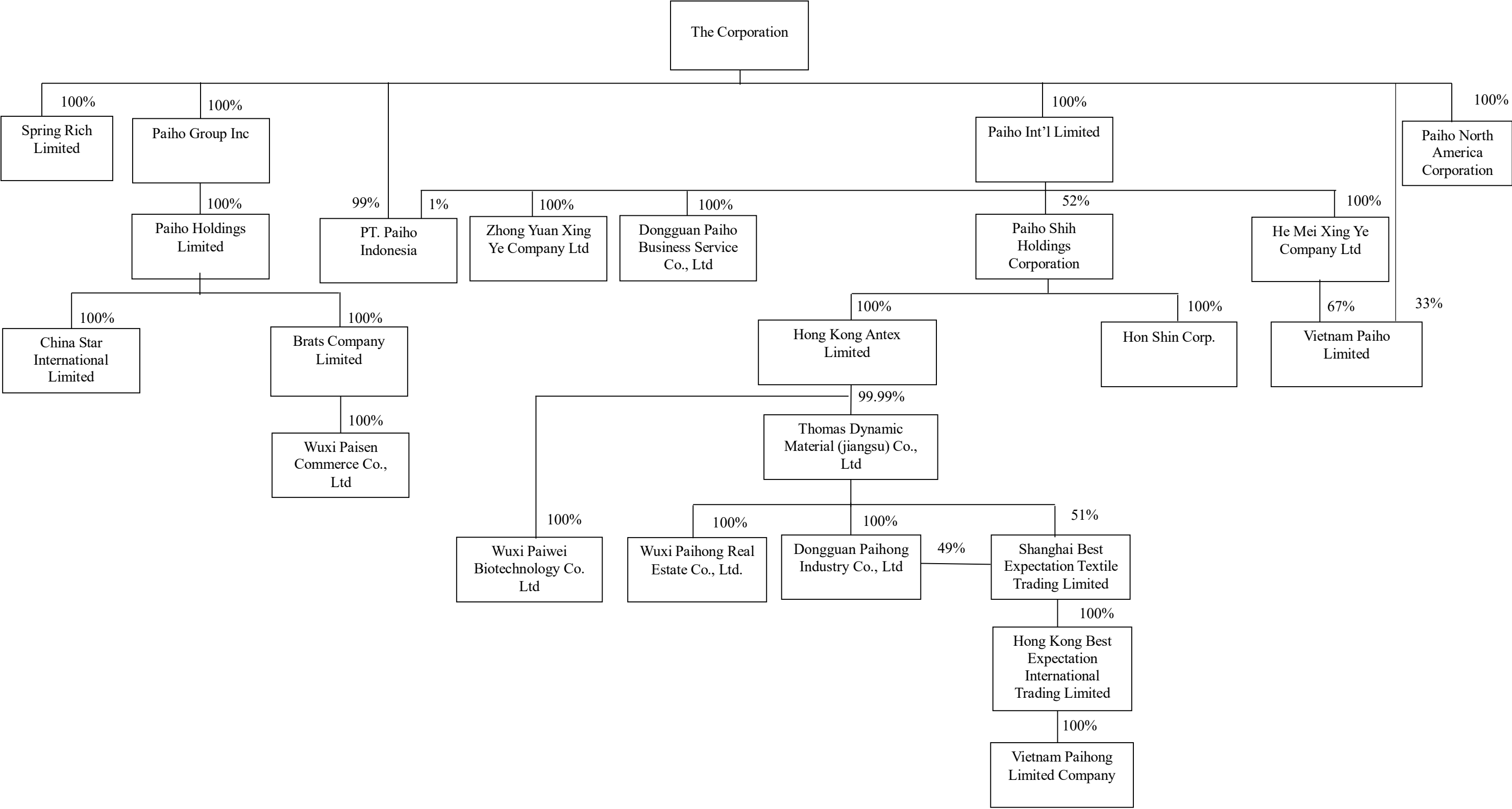
Information on Major Shareholders

December 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares Held (Shares)	Shareholding Ratio
Fubon Life Insurance Co., Ltd.	23,363,000	7.84%

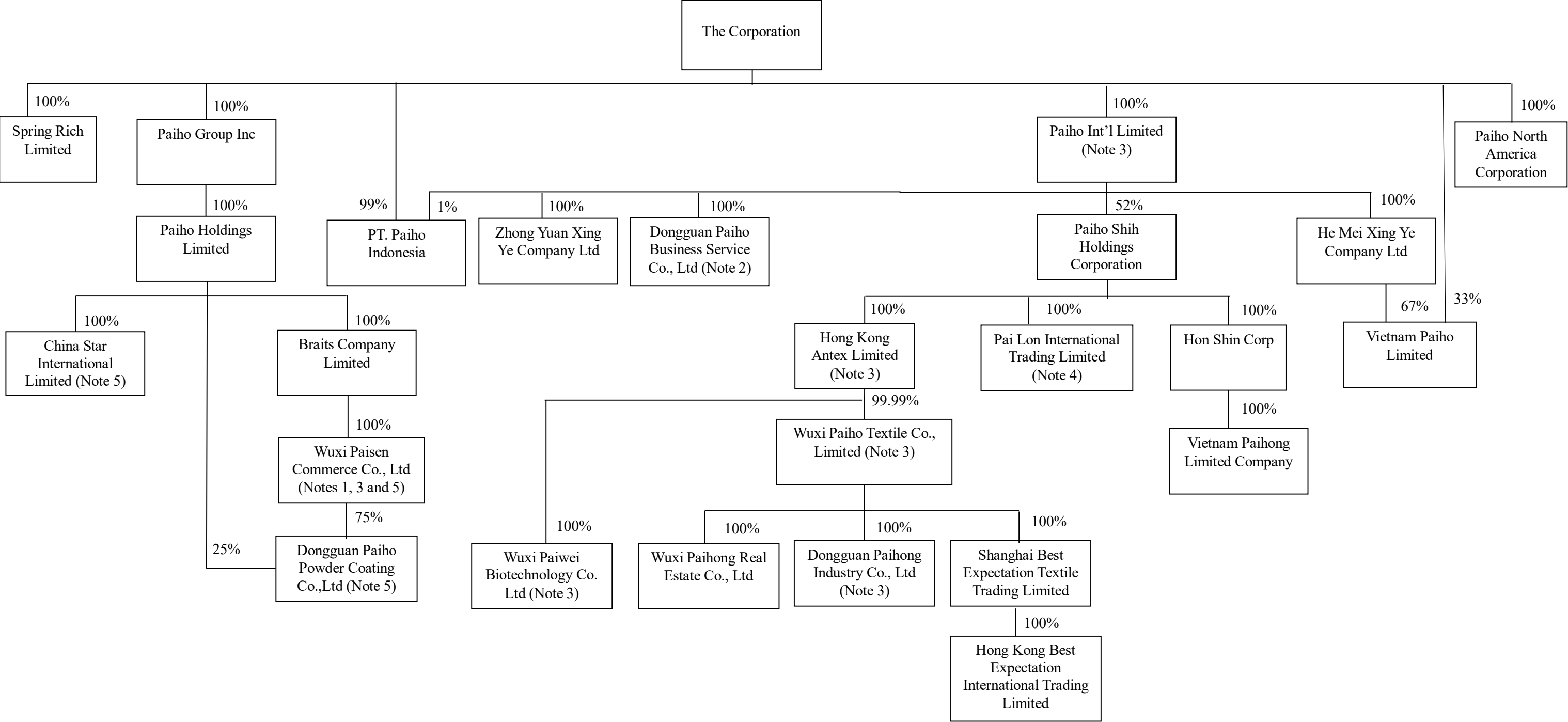
Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Table 11
TAIWAN PAIHO LIMITED
Investment Structure
December 31, 2022



Note: Thomas Dynamic Material (jiangsu) Co., Ltd.was renamed in 2022. It was Wuxi Paiho Textile Co., Ltd.

Table 12
TAIWAN PAIHO LIMITED
Investment Structure
December 31, 2021



(Continued on the following page)

(Continued from the previous page)

Note 1: Wuxi Paisem Chemical Fibre Co., Ltd was renamed to Wuxi Paisen Commerce Co., Ltd in 2021.

Note 2: Dongguan Paiho Business Service Co., Ltd. was renamed in 2021. It was Dongguan Paiho Textile Limited.

Note 3: The Corporation conducted reorganization in 2021 by adjusting its group investment structure in China: Hong Kong Antex Limited acquired 4.2% and 2.59% shareholding of Wuxi Paiho Textile Co., Limited from Paiho Int'l Limited and Wuxi Paisen Commerce Co., Ltd, respectively. Hong Kong Antex Limited acquired 100% shareholding of Wuxi Paiwei Biotechnology Co. Ltd from Wuxi Paiho Textile Co., Limited. Wuxi Paiho Textile Co., Limited acquired 34% shareholding of Dongguan Paihong Industry Co., Ltd from Hong Kong Antex Limited.

Note 4: The board of directors of Paiho Shih Holdings Corporation resolved to dissolve and liquidate Pailon Int'l Trading Limited in a meeting in November 2021. The liquidation was completed in February 2022.

Note 5: The investment structure in China was adjusted in 2021:

Wuxi Paisen Commerce Co., Ltd acquired 75% shareholding of Dongguan Paiho Powder Coating Co., Ltd from China Star International Limited.

The Corporation's Board of Directors has resolved, on May 6, 2022, to dispose shareholdings in Dongguan Paiho Powder Coating Co., Ltd to a non-related party. The ownership was transferred on July 31, 2022.

6.6 If the Company or Its Affiliates have Experienced Financial Difficulties in the Recent Year and Up to the Annual Report Publication Date, the Annual Report shall Explain How Said Difficulties will Affect the Company's Financial Situation: None.

VII. Review and Analysis of Financial Position and Financial Performance, and Risk Management

7.1 Analysis of Financial Status - Consolidated Financial Statements

Unit: NT\$ thousands

Item	2022	2021	Amount	%
Current Assets	\$12,659,671	\$13,547,651	(\$ 887,980)	(7)
Property, Plant and Equipment	16,531,780	12,328,979	4,202,801	34
Intangible Assets	207,850	195,510	12,340	6
Other Assets	2,434,245	2,863,722	(429,477)	(15)
Total Assets	31,833,546	28,935,862	2,897,684	10
Current Liabilities	14,685,286	8,212,818	6,472,468	79
Non-current Liabilities	2,660,060	7,092,685	(4,432,625)	(62)
Total Liabilities	17,345,346	15,305,503	2,039,843	13
Equity Attributable to Owners of the Corporation				
Capital Stock	2,979,639	2,979,639	0	0
Capital Surplus	728,084	727,977	107	0
Retained Earnings	8,247,034	7,789,974	457,060	6
Other Equity	(170,388)	(737,099)	566,711	77
Treasury Stock	0	0	0	0
Non-controlling Interest	2,703,831	2,869,868	(166,037)	(6)
Total Equity	14,488,200	13,630,359	857,841	6
Explanation for changes that exceed 20% and reached NT\$10 million in the past two years:				
1. The increase in real estate, plant and equipment was mainly due to each companies of the group in Taiwan, Vietnam, and Indonesia has plant constructions and increase of production equipment.				
2. The increase in current liabilities was mainly due to the conversion of long-term borrowings into current portions of long term borrowings, as the increase demand in operating capital lead to the increase of short term bank loan.				
3. The decrease in non-current liabilities was mainly due to the conversion of long-term borrowings into current portions.				
4. Other equity increased due to continued NTD depreciation, which affect adversely to exchange difference when transferring foreign operations.				

7.2 Financial Performance

7.2.1 Analysis of Financial Performance – Consolidated Financial Statements

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference		Remark
			Amount	%	
Net Sales	\$16,270,386	\$18,287,786	(\$2,017,400)	(11)	
Cost of Goods Sold	<u>10,679,805</u>	<u>11,359,265</u>	<u>(679,460)</u>	(6)	
Gross Profit	5,590,581	6,928,521	(1,337,940)	(19)	
Operating Expenses	<u>2,875,833</u>	<u>2,950,709</u>	<u>(74,876)</u>	(3)	
Profit from Operations	2,714,748	3,977,812	(1,263,064)	(32)	1
Non-Operating Income and Expenses	<u>(144,114)</u>	<u>49,085</u>	<u>(193,199)</u>	(394)	2
Profit before Income Tax	2,570,634	4,026,897	(1,456,263)	(36)	3
Income Tax Expense	<u>781,853</u>	<u>1,360,847</u>	<u>(578,994)</u>	(43)	3
Net Profit	<u>1,788,781</u>	<u>2,666,050</u>	<u>(877,269)</u>	(33)	3
Other Comprehensive loss for the Year, Net of Income Tax	<u>565,744</u>	<u>(194,377)</u>	<u>760,121</u>	391	4
Total Comprehensive Income for the Year	<u>\$ 2,354,525</u>	<u>\$ 2,471,673</u>	<u>(\$ 117,148)</u>	(5)	

Analysis of changes in ratio:

1. Operating margin went down, mainly due to rising material and labor costs in 2022 caused by the Russia–Ukraine War, inflation, and rate hikes, and decrease in net sales from the construction business for a smaller number of new real estate projects, which resulted in a lower operating profit than 2021.
2. The decrease in non-operating income and expenses was mainly due to the bank loan interest rate rose sharply that lead to the increase of interest expenses, and the provision of machinery and equipment impairment losses.
3. The decrease in net profit before tax, income tax expenses and net profit for the year was mainly due to the impact of point 1 & 2 as mentioned above that lead to the decrease in net profit before tax, and relatively decrease in income tax expenses and net profit for the year.
4. Increase in other comprehensive income was mainly due to increase in gains from exchange differences on translation of foreign financial statements in 2022 compared to those in 2021.

7.2.2 Analysis of Changes in Gross Profit: Not Applicable.

7.3 Consolidated Cash Flow

7.3.1 Analysis of Cash Flow in 2022

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Operating Activities	\$ 3,067,848	\$ 2,288,805	\$ 779,043	34
Investing Activities	(3,454,653)	(1,130,035)	(2,324,618)	(206)
Financing Activities	918,135	(3,483,142)	4,401,277	126
<p>Analysis of changes in ratio:</p> <ol style="list-style-type: none"> 1. Operating activities: Mainly due to increases in accounts payable in 2022 and prepayments received in 2020 for revenue recognized in 2021 from housing units sold, which result in a higher net cash inflow from operating activities in 2022 compared with the year before. 2. Investment activities: Mainly due to additional investments in production plants and facilities by each operation site in 2022, which resulted in a higher net cash outflow from investing activities compared to those in 2021. 3. Financing activities: Mainly due to increases in bank borrowing, which resulted in a higher net cash outflow from financing activities in 2022 compared to those in 2021. 				

7.3.2 Improvement Plan(s) for Inadequate Liquidity :

The Company and its subsidiaries had been in close contact with banks with a good financing and credit condition established. Therefore, under reasonable capital requirements, the Company has no insufficient liquidity or shortage of funds.

7.3.3 Liquidity Forecast Analysis in 2023.

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year 1	Estimated Net Cash Inflow from Operating Activities 2	Estimated Cash Outflow 3	Cash Surplus (Deficit) 1+2-3	Remedial Measures for Cash Deficit	
				Investment Plans	Financing Plans
\$3,728,083	\$ 2,220,184	\$ 1,892,409	\$ 4,055,858	None	None
<p>1. Analysis of cash flow changes in the future year</p> <p>(1) Operating activities: Expected net cash inflows from operating profits in 2023.</p> <p>(2) Investing activities: The net cash outflows from investing activities is mainly due to the increase in expenditures for the purchase of plants and machinery and equipment.</p> <p>(3) Financing activities: The net cash outflow from financing activities is mainly due to the distribution of cash dividends.</p> <p>2. Remedial measures for cash shortfalls: Not applicable.</p>					

7.4 Impact of Major Capital Expenditures on Financial Operations in the Recent Year:

The capital expenditures of the Company and the subsidiaries mostly attuned to the needs of future corporate development and in consideration of the development of new products and the needs of customer orders, which made capacity expansion and increased procurement of related equipment necessary for better sale and profit. The source of funding for capacity expansion and procurement of equipment is working capital, matching with other long-term loans from banks.

7.5 Reinvestment Policy in the Recent Year, the Major Reasons for the Profits (Losses), Improvement Plan and Investment Plans in the Future Year:

The Company's investment policy is focused on the development of the business and will continue to focus on the Company's business in the future; also, it strengthens upstream and downstream integration as well as the horizontal development of the Company in order to expand the scale of the Company's operations and generate profits. The re-investment benefit of the Company under the equity method in 2022 was NT\$1,457,110 and, decrease from the previous year. The main reason is that the operating income of some invested companies has decreased in 2022 compared to 2021 and the bank loans & interests rates has increased, the interest expenses on financing loans increased lead to the decrease in profits.

7.6 Analysis and Assessment on Risk Matters in the Recent Year and Up to the Annual Report Publication Date:

7.6.1 Impact of Interest Rate and Exchange Rate Fluctuation and Inflation Condition on the Profit/Loss of the Company and Future Countermeasures:

1. Exchange Rate:

The Company mainly operates in Taiwan, China, Vietnam, and Indonesia, which exposes the profitability under exchange rate impacts. Accounts receivables and payables are mainly dominated in RMB, USD, VND, and IDR. The differences between the amounts received and paid in foreign currencies are not significant; the exchange rate risk caused by exchange rate fluctuations can be mostly naturally hedged.

In the future, various measures will be adopted appropriately to cope with the change of exchange rate according to the trend of the global economy and the business strategy of each subsidiary in order to reduce the impacts of the exchange rate fluctuation on the Company.

2. Interest Rate:

The Company will continue to expand the operation scale to strengthen its competitiveness and keep good relationships with the bankers for accessing capital for lower costs. The Company and its subsidiaries will raise needed capital by taking into consideration funding sources and the associated costs, as well as paying close attention to the movement of interest.

3. Inflation/ Deflation:

In response to inflation and rising buying costs due to escalating material and energy prices, the Company will make pricing adjustments to its products, especially the high-margin lines, to cut down the impacts from inflation. The Company will also review and collect relevant information for management's decision making with reference to economic data and reports from government and research institutions on a regular basis or when necessary.

7.6.2 Policies on Engaging in High Risk, High Leverage Investments, Loaning Funds to Others, Endorsements and Guarantees, as well as Derivative Transactions, Main Causes of Profit and Loss as well as Future Countermeasures:

The Company only invests in the principal business and related industries, and only makes endorsements/guarantees and loaning of funds for others within the stipulations of the law; therefore, there is no profit or loss that occurred.

7.6.3 Future R&D Projects and Expected Investment in the R&D Budget.

The Company continues to develop new products and to expand new applications with a focus on all kinds of webbing(shoelaces), easy tape and reflective products, touch fastener, elastic, and other accessories, as well as multi directional textile with elasticity, Jacquard digital woven Fabric and Jacquard engineered mesh, and other main products. It is estimated that the annual R&D expense ratio will account for about 3%-4% of net sales. There is no significant change and there is no significant risk in the relevant R&D.

7.6.4 Impacts of Important Domestic/Foreign Policies and Changes of Laws on the Financial Business of the Company and Countermeasures:

The Company always pays close attention to and grasps any policies and law that may affect the Company's operations, in 2022, beside from applying on related tax preferential measures, in respond to government continually promoting repatriation offshore funds and investment in Taiwan, we're also committed to the sustainable development of the enterprise, actively involved in energy conservation & carbon reduction related facilities and participate in forest land adoption and other related activities, as of the annual report publication date, changes in relevant laws and regulations did not affect the Company's operations.

7.6.5 Impacts of Changes in Technology and Industry on the Financial Business of the Company and Countermeasures:

The Company pays attention to the technical changes in the industry at all times. Depending on the situation, the Company assigns staff to assess and study the impact of the changes on its future development and financial business and the countermeasures. In the recent year, there have been no major technical changes that have had a significant impact on the Company's financial business.

The Company's Information Security department has established an appropriate information security policy, and has firewall and security software installed to control the operational functions of the Company. The Company does not have security insurance, but the Information Security department will regularly review the system records of various network service projects, track abnormal situations, and regularly handle system recovery and backup plans to ensure the normal operation of the Company's information system and data preservation in order to reduce the risk of system interruption caused by unwarranted natural disasters and human error. The information Security management unit continuously reviews the implementation and policies of information security annually, strengthens the protection of corporate information security, and upgrades appropriate software and hardware equipment in a timely manner and improves relevant regulations. In 2022 and as of the annual report printing date, the Company did not find any major cyber-attacks or incidents that had or may have a material adverse effect on the Company's business and operations, nor had it been involved in any litigation, supervision, or investigation of an incident.

7.6.6 Impacts of Change of Cooperate Image on the Cooperate Crisis Management and Countermeasures:

The Company has always adhered to professional and honest business principles, paid attention to corporate image and risk control. There are no foreseeable crisis issues at present.

7.6.7 Expected Benefits, Possible Risks, and Countermeasures for Merger: None.

7.6.8 Expected Benefits, Possible Risks, and Countermeasures for Expansion of Facilities:

The Company's plant expansion in 2022, mainly due to continuous production expansion in Taiwan and the Southeast Asia region to meet future operation, the plants are for self-use and will be available for production immediately after construction. As these plants are available for their own use and can be used immediately upon completion, the construction projects are funded with their own working capital and long-term bank borrowings. Therefore, there is no liquidity risk of insufficient capital supply.

7.6.9 Risks Faced during Material Incoming and Sales Centralization as well as Countermeasures:

Material Incoming: The Company's main raw materials are nylon monofilament yarn, nylon multifilament yarn, plastic pellets, rubber thread, and Polyester yarn, which are produced and supplied by many domestic and foreign manufacturers, such as: Jfa, Renail, Jvan An, Kvanchi, Lih Shyang, New Top Power, and Golden Light, etc. As for the supply of raw materials, there is no interruption in the supply of raw materials. The Company does not purchase more than 10% raw material from one single supplier for the purpose of diversifying procurement risk. Therefore, there is no risk of concentration of purchases.

Sales: Due to a wide range of applications the products produced and sold by the Company, such as, shoes, garments, 3C products, medical and health, automotive, aviation, etc., the customer base is scattered and the sales to single customers are less than 10% of the total sales, so there is no risk of concentration of sales.

7.6.10 Impacts, Risks, and Countermeasures of Directors, or Shareholders with a Shareholding Percentage Exceeding 10%, Large Equity Transfer, or Change on the Company:

There was no director or shareholder holding more than 10% of the shares making excessive shareholdings a transfer in 2022; therefore, there was no significant impact on the Company's operations.

7.6.11 Impacts, Risks, and Countermeasures of Change in Management Rights to the Company:

In the most recent year and as of the annual report printing date, the Company's management is stable and is committed to improving the Company's operational

performance and creating maximum interests for shareholders; therefore, there is no change in management rights.

7.6.12 Company and Director, Supervisor, General Manager, Substantial Responsible Person of the Company, Major Shareholder with A Shareholding Percentage Exceeding 10%, and Affiliate of the Company that Has Received Any Affirmative Ruling or Is Involved in Any Pending Major Litigation, Non-contentious Case or Administrative Dispute Event, and the Result Thereof may Have Major Impacts on the Shareholders' Rights or Stock Price; Relevant Dispute Facts, Subject Matter Amount, Litigation Starting Date, Main Parties Involved in the Litigation, and the Handling Status Up to the Annual Report Publication Date Required to be Disclosed: None.

7.6.13 Other Significant Risks and Countermeasures: None.

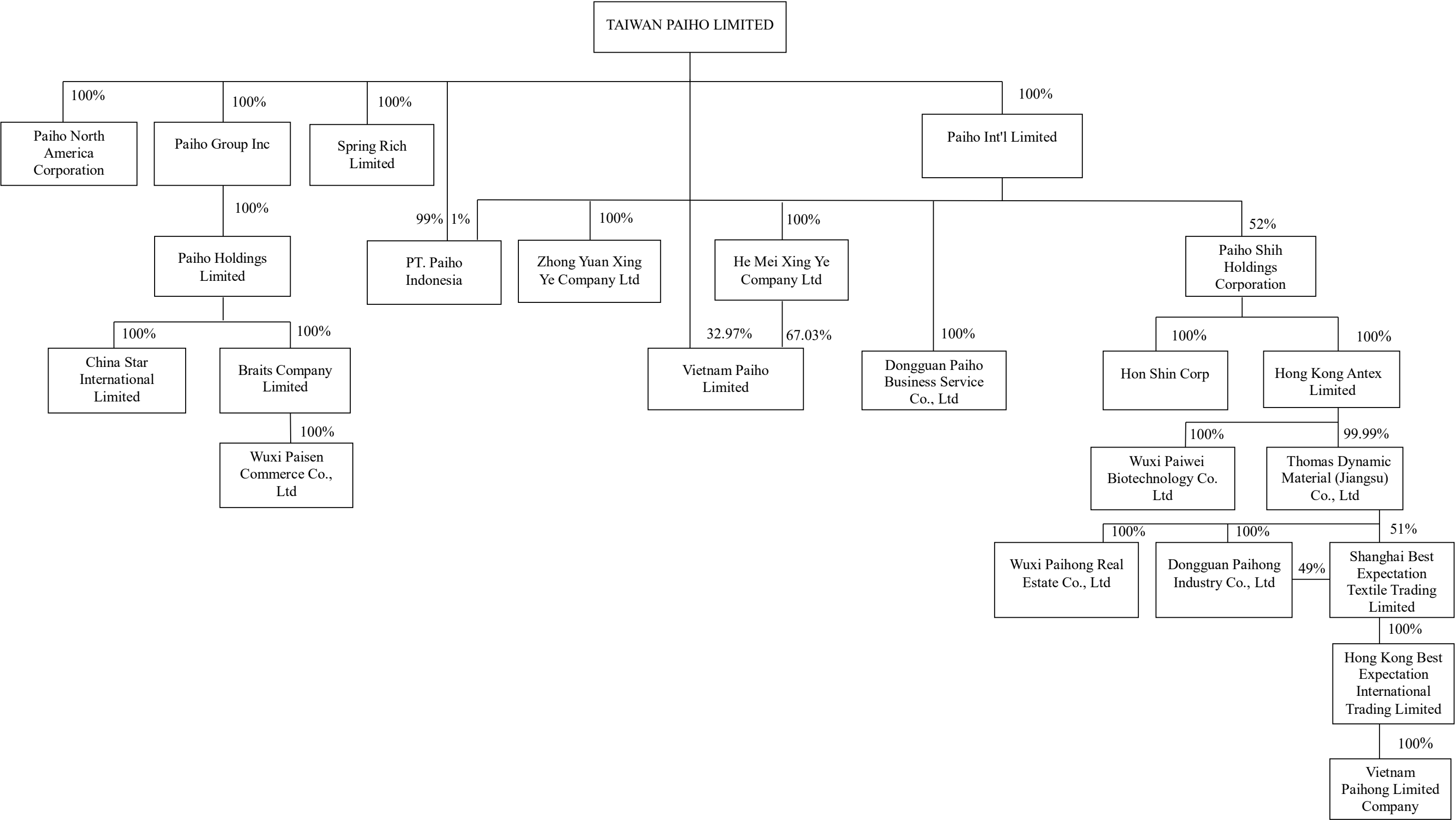
7.7 Other Important Matters: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Consolidated of Business Report of Affiliated Enterprises

1. Organizational Chart (December 31, 2022)



2. Basic Information of Affiliated Enterprises

Unit: NT\$ thousands, except additional notes

Company Name	Data of Incorporation	Place of Registration	Paid-in Capital (Note)	Major Business Item
Paiho Int'l Company	July 1995	British Virgin Islands	\$ 441,259	International investment.
Dongguan Paiho Company	November 1992	Dongguan, China	151,947	Non-residential property leasing.
Spring Rich Limited.	July 1998	Changhua, Taiwan	3,000	Extra processing of webbings.
Vietnam Paiho Company	October 1999	Vietnam	1,082,922	Manufacture and extra processing on touch fasteners and various type of webbings.
Paiho Group Company	June 2001	British Virgin Islands	315,872	International investment.
Paiho Holdings Company	June 2001	British Virgin Islands	315,872	International investment.
Jiangsu Paihong Company	July 2001	Wuxi, China	1,695,283	Production & marketing of touch fastener, webbing and elastic.
China Star Company	July 2001	Shanghai, China	1,816	Production & marketing of powder coating.
Dongguan Powder Company (Note 8)	January 2004	Dongguan, China	0	Production & marketing of powder coating.
Braits Company	July 2002	British Virgin Islands	202,729	International investment.
Wuxi Paisen Company	June 2002	Wuxi, China	239,927	Non-residential property leasing.
Paiho North America Company	September 2003	California	245,680	Sales of touch fasteners and various type of webbings.
Dongguan Paihong Company	October 2005	Dongguan, China	1,573,778	Production & marketing of touch fastener, elastic, various type of webbings and jacquard engineered mesh, and consumer electronic accessories, etc.
Paiho Shih Company	November 2006	Cayman Islands	3,151,781	International investment.
Pai Lon International Trading Limited.(Note 14)	May 2007	British Virgin Islands	0	International trading.
Hong Kong Antex Company	June 2007	Hong Kong	1,690,146	International investment.
He Mei Xing Ye Company	January 2007	Samoa	725,866	International investment & trading.

Company Name	Data of Incorporation	Place of Registration	Paid-in Capital (Note)	Major Business Item
Zhong Yuan Xing Ye Company	January 2007	Samoa	115,470	International trading.
Paiho Indonesia Company	March 2010	Nining Sukabumi	552,780	Production & marketing of touch fasteners, various type of webbings and elastics.
Wuxi Paihong Company	February 2013	Wuxi, China	1,675,040	Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.
Hon Shin Company	June 2016	Samoa	2,426,090	International investment & trading.
Vietnam Paihong Company	November 2016	Vietnam	3,992,300	Production & marketing of mesh and other fabrics.
Wuxi Paiwei Company	December 2017	Wuxi, China	573,040	Production and sales of masks and non-woven products. Product and technology importation and exportation through direct-owned and licensing businesses.
Shanghai Best Expectation Company	November 2021	Shanghai, China	705,280	International investment & trading.
Hong Kong Best Expectation Company	December 2021	Hong Kong	708,286	International investment & trading.

Note:

- (1) Paiho Int'l Company Paid-In Capital US\$14,368,564.
- (2) Dongguan Paiho Company Paid-In Capital RMB\$34,470,695.
- (3) Vietnam Paiho Company Paid-In Capital US\$35,262,839.
- (4) Paiho Group Company Paid-In Capital US\$10,285,631.
- (5) Paiho Holdings Company Paid-In Capital US\$10,285,631.
- (6) Jiangsu Paihong Company Paid-In Capital RMB\$384,592,275.
- (7) China Star Company Paid-In Capital RMB\$411,936.4.
- (8) Selling of all shareholding in Dongguan Powder Company to non-related parties in July 31, 2022.
- (9) Braits Company Paid-In Capital US\$6,601,384.
- (10) Wuxi Paisem Company Paid-In Capital RMB\$54,429,793.
- (11) Paiho North America Company Paid-In Capital US\$8,000,000.
- (12) Dongguan Paihong Company Paid-In Capital RMB\$357,027,760.
- (13) Paiho Shih Company Paid-In Capital NT\$3,151,781,260.

(14) The liquidation of Pai Lon International Trading Limited was completed in February, 2022.

(15) Hong Kong Antex Company Paid-In Capital HK\$429,188,833.

(16) He Mei Xing Ye Company Paid-In Capital US\$23,636,139.

(17) Zhong Yuan Xing Ye Company Paid-In Capital US\$3,760,000.

(18) Paiho Indonesia Company Paid-In Capital US\$18,000,000.

(19) Wuxi Paihong Company Paid-In Capital RMB\$380,000,000.

(20) Hon Shin Company Paid-In Capital US\$79,000,000.

(21) Vietnam Paihong Company Paid-In Capital US\$130,000,000.

(22) Wuxi Paiwei Company Paid-In Capital RMB\$130,000,000.

(23) Shanghai Best Expectation Company Paid-In Capital RMB\$160,000,000.

(24) Hong Kong Best Expectation Company Paid-In Capital US\$23,063,700.

(25) Exchange rates are used as follows:

USD : NTD = 1 : 30.71

RMB : NTD = 1 : 4.408

HK : NTD = 1 : 3.938

3. Data of Shareholders in Common of the Company and Its Subsidiaries with Deemed Control and Subordination: None.

4. Business Scope of Affiliated Enterprises:

(1) Major business item of the Company: manufactures and sells touch fastener, webbing (shoelaces), elastic, easy tape and several types of fabrics; and it also sells the constructions of houses and apartment buildings built by the entrusted construction enterprises.

(2) Major business item of Paiho Int'l Company: International investment.

(3) Major business item of Dongguan Paiho Company: Non-residential property leasing

(4) Major business item of Spring Rich Limited: Extra processing of webbings.

(5) Major business item of Vietnam Paiho Company: Manufacture and extra processing on touch fasteners and various type of webbings.

(6) Major business item of Paiho Group Company: International investment.

(7) Major business item of Paiho Holdings Company: International investment.

(8) Major business item of Jiangsu Paihong Company: Production & marketing of touch fastener, webbing and elastic.

(9) Major business item of China Star Company: Production & marketing of powder coating.

(10) Major business item of Dongguan Powder Company: Production & marketing of powder coating.

(11) Major business item of Braits Company: International investment.

(12) Major business item of Wuxi Paisen Company: Non-residential property leasing.

- (13) Major business item of Paiho North America Company: Sales of touch fasteners and various type of webbings.
- (14) Major business item of Dongguan Paihong Company: Production & marketing of touch fastener, elastic, webbing, jacquard engineered mesh and 3C accessories.
- (15) Major business item of Paiho Shih Company: International investment.
- (16) Major business item of Pai Lon International Trading Limited: International trading.
- (17) Major business item of Hong Kong Antex Company: International investment.
- (18) Major business item of He Mei Xing Ye Company: International investment & trading.
- (19) Major business item of Zhong Yuan Xing Ye Company: International trading.
- (20) Major business item of Paiho Indonesia Company: Production & marketing of touch fastener, various type of webbings and elastic.
- (21) Major business item of Wuxi Paihong Company: Commercial property management; planning consultants, sales, development & leasing of real estate and design decoration.
- (22) Major business item of Hon Shin Company: International investment & trading.
- (23) Major business item of Vietnam Paihong Company: Production & marketing of mesh and other fabrics.
- (24) Major business item of Wuxi Paiwei Company: Production and sales of masks and non-woven products. Product and technology importation and exportation through direct-owned and licensing businesses.
- (25) Major business item of Shanghai Best Expectation Company: International investment & trading.
- (26) Major business item of Hong Kong Best Expectation Company: International investment & trading.

5. Rosters of Directors, Supervisors, Managerial Officers and General Manager of Affiliated Enterprises

December 31, 2022

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Paiho Int'l Company	Director	Sen-Mei Cheng	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			TAIWAN PAIHO LIMITED holds 14,368,564 shares.	100%
Dongguan Paiho Company	Chairman	Kuo-Ian Cheng	0	0%
	General Manager	Hsin-Jung Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Supervisor	Feng-Chih, Chen	0	0%
			Paiho Int'l Company Company holds equity of NT\$0.	100%
Spring Rich Limited	Chairman and General Manager	Cheng-Tsung Cheng	0	0%
			TAIWAN PAIHO LIMITED invests NT\$3,000 thousand.	100%
He Mei Xing Ye Company	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Int'l Company holds 23,636,140 shares.	100%
Vietnam Paiho Company	Director	Cheng-Tsung Cheng	0	0%
	General Manager		0	0%
	Manager	Kuan-Hsien Lin		
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Lun Cheng	0	0%
			He Mei Xing Ye Company Company holds equity of NT\$773,954 thousand.	67%
			TAIWAN PAIHO LIMITED invests NT\$358,776 thousand.	33%
Paiho Group Company	Director	Hsin-Jung Cheng	0	0%
			TAIWAN PAIHO LIMITED holds 10,285,631 shares.	100%
Paiho Holdings Company	Director	Hsin-Jung Cheng	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Group Company holds 10,285,631 shares.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Jiangsu Paihong Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Ming-Chang Chiang	0	0%
	Director	Pei-Chao Chang	0	0%
	Director	Jian-Fang Zhu	0	0%
	Director	Hsiu-Hsing Lin	0	0%
	Independent Director	Da-Gang Gao	0	0%
	Independent Director	Shih-Kai Chiu	0	0%
	Independent Director	Ming-Ching Hsieh	0	0%
	Supervisor	Mei-Hui Lin	0	0%
	Supervisor	De-Peng Weng	0	0%
	Supervisor	Zhong-Chao Yao	0	0%
			Hong Kong Antex Company holds 384,553,816 shares.	99.99%
China Star Company	Chairman and General Manager	Hsin-Jung Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
			Paiho Holdings Company Company holds equity of NT\$60,278 thousand.	100%
Braits Company	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Wei Cheng	0	0%
			Paiho Holdings Company holds 6,601,385 shares.	100%
Wuxi Paisen Company	Chairman and General Manager	Hsin-Jung Cheng	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Tsung Cheng	0	0%
	Supervisor	Hsiao-Hung, Feng	0	0%
			Braits Company Company holds equity of US\$7,000 thousand.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Paiho North America Company	Chairman and General Manager	Yi-Ming Lin	0	0%
	Director	Cheng-Wei Cheng	0	0%
			TAIWAN PAIHO LIMITED hold 800,000 shares.	100%
Dongguan Paihong Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chiang-Tong Huang	0	0%
	Director	Min-Nan Tu	0	0%
	Supervisor	Wen-Pin Tu	0	0%
	Supervisor	Chen-Chia Cheng	0	0%
			Jiangsu Paihong Company holds equity of RMB\$ 357,028 thousand.	100%
Paiho Shih Company	Chairman	Kuo-Ian Cheng	25,554,482	8.1%
	General Manager	Hsin-Jung Cheng	1,038	0%
	Director	Representative of Paiho Int'l Company:	162,632,396	51.6%
		Shih Chao Huanng	639,760	0.20%
	Director	Lien-Fa Tsai	25,660	0.01%
	Director	Shih-Chang Ko	0	0%
	Director	Cheng-Chu Lin	0	0%
	Director	Yong-Jen Tsao	0	0%
	Independent Director	Yung-Fu Wu	0	0%
	Independent Director	Wen-Chang Chen	170,673	0.05%
	Independent Director	Yuh-Ching Tsai	11,000	0%
	Independent Director	Kai-Li-Wang	5,000	0%
Hong Kong Antex Company	Director	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
			Paiho Shih Company holds 54,334,644 shares.	100%
Zhong Yuan Xing Ye Company	Director	Sen-Mei Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Cheng-Tsung Cheng	0	0%
			Paiho Int'l Company holds 3,760,000 shares.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Paiho Indonesia Company	Chairman and General Manager	Cheng-Tsung Cheng	0	0%
	Director	Yi-Ming Lin	0	0%
	Director	Sen-Mei Cheng	0	0%
	Director	Ming-Tsung Shih	0	0%
	Director	Yu Mo	0	0%
	Director	Yi-Lun Cheng	0	0%
	Supervisor	Kuei-Chu Yeh	0	0%
			TAIWAN PAIHO LIMITED holds 178,200 shares.	99%
			Paiho Int'l Company holds 1,800 shares.	1%
Wuxi Paihong Company	Chairman and General Manager	Kuo-Ian Cheng	0	0%
	Director	Chen-Chia Cheng	0	0%
	Director	Mei-Hui Lin	0	0%
	Supervisor	Ming-Chang Chiang	0	0%
			Jiangsu Paihong Company invests RMB\$380,000 thousand.	100%
Hon Shin Company	Director	Kuo-Ian Cheng	0	0%
			Paiho Shih Company holds 79,000,000 shares.	100%
Vietnam Paihong Company	Company Chairman and General Manager	Kuo-Ian Cheng	0	0%
			Hong Kong Best Expectation Company invests US\$133,000 thousand.	100%
Wuxi Paiwei Company	Chairman and General Manager	Hsin-Jung Cheng	0	0%
	Director	Kun-Chuan Chang	0	0%
	Director	Yung-Gfng Huang	0	0%
	Supervisor	Po-Hsiang Chang	0	0%
			Hong Kong Antex Company holds equity of RMB\$130,000 thousand.	100%

Company Name	Title	Name or Representative	Shareholding	
			Shares	%
Shanghai Best Expectation Company	Director Supervisor	Kuo-Ian Cheng Ming-Chang Chiang	0	0%
			Jiangsu Paihong Company invests RMB\$81,600 thousand.	51%
			Dongguan Paihong Company invests RMB\$78,400 thousand.	49%
Hong Kong Best Expectation Company	Director	Kuo-Ian Cheng	0	0%
			Shanghai Best Expectation Company holds 23,063,700 shares.	100%

6. Operational Highlights of Affiliated Enterprises

December 31, 2022

Unit: NT\$ thousands, except EPS (NT\$)

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Profit from Operations (Loss)	Net Profit (Loss)	Basic Earnings Per Share
Taiwan Paiho Limited	\$2,979,639	\$15,201,552	\$3,417,183	\$11,784,369	\$3,612,336	\$ 329,097	\$ 1,520,410	\$5.10
Paiho Int'l Company	441,259	6,782,404	79,726	6,702,678	926,636	896,058	890,152	-
Dongguan Paiho Company	151,947	155,764	5,551	150,213	0	(9,866)	(2,837)	-
Spring Rich Limited	3,000	6,627	669	5,958	1,753	(73)	418	-
Vietnam Paiho Company	1,082,922	5,660,320	1,278,711	4,381,609	4,269,326	980,650	951,102	-
Paiho Group Company	315,872	425,287	0	425,287	(19,635)	(19,645)	(19,636)	-
Paiho Holdings Company	315,872	426,126	842	425,284	(15,781)	(15,912)	(19,635)	-
Jiangsu Paihong Company	1,695,283	6,610,458	1,618,225	4,992,233	1,705,108	95,210	1,125,421	-
China Star Company	1,816	42,306	15	42,291	0	4,981	5,527	-
Dongguan Powder Company	0	0	0	0	75,711	(11,094)	(24,665)	-
Braits Company	202,729	315,789	0	315,789	(12,738)	(12,842)	(8,319)	-
Wuxi Paisen Company	239,927	316,533	5,264	311,269	0	(3,597)	(11,116)	-
Paiho North America Company	245,680	314,225	67,069	247,156	335,255	58,652	23,176	-
Dongguan Paihong Company	1,573,778	3,548,933	437,553	3,111,380	3,729,612	955,386	893,016	-
Paiho Shih Holdings Company	3,151,781	17,778,660	12,208,272	5,570,388	8,072,805	1,061,763	555,863	1.76

Company Name	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Profit from Operations (Loss)	Net Profit (Loss)	Basic Earnings Per Share
Hong Kong Antex Company	1,690,146	5,422,074	564,272	4,857,802	941,674	941,663	840,123	-
Pai Lon International Trading Limited	0	0	0	0	0	0	6,064	-
He Mei Xing Ye Company	725,866	2,936,928	0	2,936,928	637,511	637,511	637,511	-
Zhong Yuan Xing Ye Company	115,470	72,974	81,698	(8,724)	218,156	(6,775)	(6,665)	-
Paiho Indonesia Company	552,780	2,412,998	1,209,666	1,203,332	1,434,089	420,087	289,103	-
Wuxi Paihong Company	1,675,040	3,302,467	514,417	2,788,050	1,399,612	245,052	174,788	-
Hon Shin Company	2,426,090	2,319,719	180,023	2,139,696	902,925	36,959	(248,132)	-
Vietnam Paihong Company	3,992,300	8,619,151	6,655,583	1,963,568	1,099,811	(102,816)	(273,590)	-
Wuxi Paiwei Company	573,040	360,173	74,850	285,323	14,549	(189,962)	(237,366)	-
Shanghai Best Expectation Company	705,280	(1,407,968)	27,450	(1,435,418)	0	(1,084)	170	-
Hong Kong Best Expectation Company	708,286	2,099,985	3,514,646	(1,414,611)	43,061	5,359	(2,085)	-

Note: For information on capital stock and exchange rate, please refer to page 324.

8.1.2 Consolidation Financial Statements of Affiliated Enterprises:

The Companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the Companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

8.1.3 Affiliation Reports: None.

Declaration of Consolidation of Financial Statements of Affiliates

The Companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the Companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN PAIHO LIMITED

Sei-Mei Cheng
Chairman

March 24, 2023

8.2 Private Placement Securities in the Recent Year and Up to the Annual Report Publication

Date: None.

8.3 TAIWAN PAIHO LIMITED Common Shares Acquired, Disposed of, Held by
Subsidiaries in the Recent Year and Up to the Annual Report Publication Date: None.

8.4 Other Necessary Supplement: None.

8.5 Any Events in the Recent Year and Up to the Annual Report Publication Date that Had
Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3
Paragraph 2 of Article 36 of Securities and Exchange Act: None.

TAIWAN PAIHO LIMITED

Chairman Sei-Mei Cheng