

Stock No: 1525



# **Kian Shen Corporation**

## **2022 Annual Report**

**Publication date: March 30, 2023**

**Company website: <http://www.kian-shen.com>**

**Website for inquiry: <http://mops.twse.com.tw>**

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**V. Trading venue for listing and trading of offshore securities and method for querying the information of the offshore securities: None.**

**VI. Company website: <http://www.kian-shen.com>**

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## One. Letter to Shareholders

### I. Business Highlights

- (I) Since Q2 of 2022, the Company has gradually overcome the impact of transition to Phase VI of the Emissions Standards, the sales volume of vehicle shells has steadily recovered, and platform decks have started mass production due to the release of new models and new customers. In addition, the sales of e-bus shells have benefited from the increase in customer orders. In 2022, the revenue reached NT\$1.5 billion, or an 18% YoY increase.
- (II) As the number of COVID-19 cases rose in the first half of the year, our employees had to work overtime to meet delivery demands. However, starting from Q3, our production scale significantly increased, facilitating an effective appropriation of fixed costs such as indirect labor and depreciation expenses. Furthermore, as our profit structure improved, gross profit also increased from that in the same period last year. In spite the implementation of pandemic prevention measures, operating expenses increased; however, due to our expanded production scale and improved production efficiency, our net operating income reached NT\$44.75 million in the 2022, a significant growth YoY.
- (III) The prolonged global chip shortage, supply chain disruptions, and outbreak and quick spread of COVID-19 in China at the end of the year have caused a decrease in the production of many vehicle manufacturers which substantially impacted the revenue and profit of our reinvested companies. The 2022 profit of our reinvested companies which was recognized as investment income was at NT\$275 million, a 24% decrease YoY.
- (IV) Overall, our 2022 profit after tax was NT\$270 million, with earnings per share of NT\$3.68.

### II. Future Outlook

- (I) Variables such as the unsettled war between Russia and Ukraine, rising energy and raw material prices, the chip shortage, inflation and interest rate hikes continue to cast doubts about the global economic outlook. Taiwan's exports have declined, and the Directorate-General of Budget, Accounting and Statistics estimates that the domestic economic growth rate in 2023 will be 2.12%. Fortunately, the pandemic situation in Taiwan has subsided, the government has lifted many of the COVID-19 prevention measures, and consumption demand in the private sector has recovered. It is expected that the sales volume of Taiwan's car market in 2023 will increase slightly with the warming up of new car supply.
- (II) The Company's business promotion direction this year will be to maintain a stable supply of existing products and continue cooperating with customers in the development and mass production of new car models; in addition, we will strengthen our research and sales advantages of electric bus shells, actively develop new customers and businesses, in order to expand our revenue scale.
- (III) Last year, China's policy of halving sales tax on fuel vehicles stimulated the sales of vehicles. However, it will be harder to further increase the sales of vehicles this year. With the emergence of new energy vehicles, there will be a more fiercer price competition. Each of our reinvestment companies aim to maintain their operational performance by complying with customer sales plans, concentrating resources, increasing best-selling car models, and setting challenging goals for cost reduction and expense control.

With the full support of shareholders and the joint efforts of all staff, we are confident in continuous expanding new businesses and client bases and improving competitive advantages to create higher profits for shareholders.

Lastly, I wish all shareholders good health and all the best. Thank you!

Chairman



March 30, 2023

## Two. Company Profile

I. Date of establishment: May 30, 1963

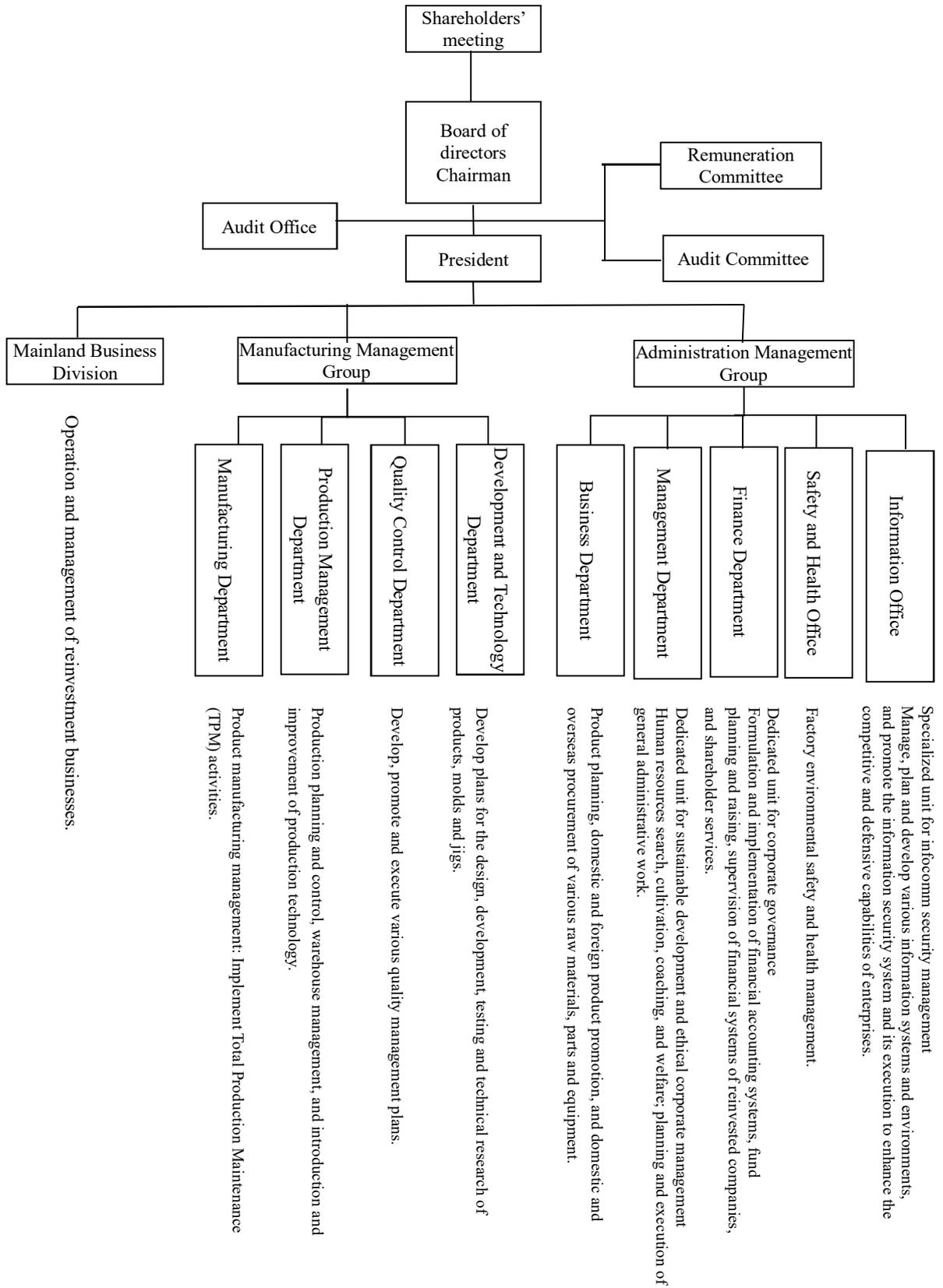
II. Company History:

- October 1955 : Mr. Tsao, Chi-Lung founded Kian Shen Hardware Factory, which initially focused on producing various types of steel shovels and hand tools. It was granted the Class A mark by the Bureau of Central Standards, and its products were sold in 18 countries worldwide.
- 1963 : The company name was changed to Kian Shen Hardware Factory Co., Ltd.
- 1970 : The capital was increased to NT\$3 million, and was selected as a satellite factory approved by the military to engage in research and manufacturing of military vehicles and weapon components.
- 1974 : The Company became a satellite factory of China Motor Corporation, supplying rear body assemblies for small trucks.
- 1978 : The company name was changed to Kian Shen Corporation.
- 1979 : The new Yangmei factory covering an area of over 58,000 square meters was completed, specializing in the production of small truck rear carriages and container beams for supply to China Motor Corporation and Weilian Industrial Company.
- 1981 : The main beams and crossbeams of heavy-duty trucks were officially adopted by Huatong Automobile Company (joint venture with General Motors of the United States) after trial assembly.
- 1983 : Produced American Harley locomotive fuel tanks and various types of car bumpers, and marketed them in the U.S. market.
- 1984 : Collaborated with Japan's Takebe Iron Works to produce the shells of large trucks and buses for supply to Kouzui Motors Ltd. and China Motor Corporation.
- 1986 : Supplied stamping parts and molds for Fengyong Automobile Company.
- November 1990 : The Company was restructured and China Motor Corporation acquired 100% of its equity.
- April 1991 : China Development Trust joined the Company's management team and acquired 10% equity.
- August 1991 : Kouzui Motors Ltd. participated in the investment and acquired 35% of the equity.
- December 1991 : Establish a wooden bed assembly and painting production line to produce wooden bed rear vehicle bodies.
- December 1992 : The new coating factory was completed and put into use, replacing traditional manual spraying with automatic impregnation to improve the working environment, avoid environmental pollution, and enhance product quality.
- November 1993 : Handled supplementary public offering.
- December 1995 : Technical cooperation with Japan's Yonan Industries Co., Ltd. to produce load arms and supply them to China Motor Corporation.
- March 1996 : The Investment Commission of the Ministry of Economic Affairs approved the Company's indirect investment in mainland China's Fuxiang (Fuzhou) Automobile Company, accounting for 35% of its equity.
- July 1996 : Passed ISO9002 certification of Bureau of Standards, Metrology and Inspection, MOEA.
- August 1996 : Produce bus shells for supply to Isuzu Motor Company in Taiwan.
- December 1998 : Passed QS9000 certification.
- May 1999 : The Company's shares were officially listed.
- March 2000 : Started exporting RK beams to Japan's Hino Heavy Vehicles.
- July 2000 : Passed ISO14001 certification by UK's UKAS.
- March 2001 : Technical cooperation with Japan's Hirata Industries Co., Ltd. and Miwa Production Institute.
- March 2002 : Established a BVI offshore investment company.
- July 2002 : Established a joint venture Guangzhou Enten Yulong Transmission System Co.,

- Ltd. with Japan's NTN.
- October 2002 : The Industrial Development Bureau, MOEA granted the Outstanding Occupational Safety and Health Management Demonstration Team Award to the Company.
  - November 2002 : Passed the certification of OHSAS18001 Occupational Safety and Health Management System.
  - September 2003 : Jointly established "Beijing Ruihan Enten Automotive Parts Co., Ltd." with South Korea's Flange and Japan's NTN.
  - October 2003 : The Industrial Development Bureau, MOEA granted the Industrial Sustainable Elite Award to the Company.
  - January 2004 : Passed the certification of TS-16949 Quality Management System.
  - August 2004 : Establish the subsidiary Jiang Sheng Investment Company.
  - November 2004 : The Council of Labor Affairs granted to the Company the Five Star Award for National Excellent Units in Promoting Labor Safety and Health.
  - March 2006 : Jointly established Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd. with Xiamen Electromechanical Group.
  - November 2007 : Establish Hong Kong Kian Shen Investment Company.
  - December 2007 : Obtained the TQ AAA level supplier evaluation of China Motor Corporation.
  - December 2008 : The subsidiary Jiang Sheng Investment Company handled its liquidation.
  - July 2009 : MOEA granted to the Company the Outstanding R&D Alliance Award of the 2009 Industry Development of Industrial Technology Plan.
  - February 2011 : Received the Excellent Manufacturer's Design and Development Excellent Performance Award from Yulong Nissan Motor's Cooperative System.
  - July 2012 : Selected by the Ministry of Finance as a business operator with excellent performance in issuing unified invoices.
  - January 2014 : Jointly established Xiangyang Enten Yulong Transmission System Co., Ltd. with Enten (China) Investment Company.
  - March 2014 : Received the Excellent Manufacturer's Excellent Overall Performance Award from Yulong Nissan Motor's Cooperative System.
  - August 2014 : Received the ISO14001 Environmental Sustainability Award.
  - September 2015 : Renewed technical cooperation with Japan's Takebe Iron Works.
  - February 2016 : Rated A level in the safety and health management system evaluation of the First Section of Kouzui Motors' Cooperation Association for three consecutive years.
  - December 2019 : Received the Health Workplace Certification Mark from the Ministry of Health and Welfare.
  - April 2020 : The Company ranked among top 6%~20% of all the TWSE and TPEx listed companies in Corporate Governance Evaluation for five consecutive years.
  - November 2020 : Passed ISO45001 certification.
  - February 2021 : "Beijing Ruihan Enten Automotive Parts Co., Ltd." handled equity transfer.
  - March 2021 : Produced electric bus shells for supply to Foxtron Vehicle Technologies Co., Ltd.
  - June 2021 : Produced wooden bed rear vehicle bodies for supply to Hotai Vehicle Body Manufacturing Co., Ltd.
  - March 2022 : Established a dedicated production line for low-floor buses.
  - July 2022 : Rated A level in the safety and health management system evaluation of the First Section of Kouzui Motors' Cooperation Association.
  - November 2022 : Renewed technical cooperation with Japan's Takebe Iron Works.
  - February 2023 : Awarded A level in the evaluation of China Motor Quality Assurance System.

### Three. Corporate Governance Report

#### I. Organization Chart



II. Information on directors, president, vice presidents, assistant vice presidents and department heads

(I) Information on directors

Title	Nationality or place of registration	Name	Gender and age	Date of election (taking office)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding in other people's names		Education and experience	Current concurrent positions at the Company and other companies	Other supervisors, directors or supervisors with a relationship of spouse or second-degree kinship.			Remarks	
							Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding			Title	Name	Relationship		
	Taiwan	China Motor Corporation					32,201,367	43.87 %	32,201,367	43.87 %											
Chairman	Taiwan	China Motor Corporation Representative: Chao-Wen Chen	Male Over 61 years old	July 1, 2022	Three years	March 21, 2018	-	-	-	-	-	-	-	-	Department of Chemical engineering, Chung Yuan Christian University Entrepreneur Class, School of Business Management, National Cheng Chi University	Director and President of China Motor Corporation Chairman of Coc Tooling & Stamping Co., Ltd. Chairman of ROC-Spicer Ltd. Chairman of Fortune Motors Co., Ltd. Director of Shung Ye Motor Co., Ltd. Chairman of Taiwan Transportation Vehicle Manufacturers Association Director of Hong Kong Kian Shen Investment Company Director of Kian Shen Investment Co., Ltd.					
Director	Taiwan	Representative of China Motor Corporation: Chiung-Chih Tseng	Male 51~60 years old	July 1, 2022	Three years	July 1, 2013	-	-	-	-	-	-	-	-	Department of Mechanical Engineering, Tamkang University	President of Kiang Shen Corporation Director of Fuzhou Fuxiang Automobile Industry Co., Ltd. Director of Guangzhou Enten Yulong Transmission System Co., Ltd. Director of Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd. Director of Jinlong Kian Shen (Hangzhou) Vehicle Parts Co., Ltd. Director of Guangzhou Enten Yulong Transmission System Co., Ltd.					
	Taiwan	Kouzei Motors Ltd.					24,178,711	32.94 %	24,178,711	32.94 %											

Title	Nationality or place of registration	Name	Gender and age	Date of election (taking office)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding in other people's names		Education and experience	Current concurrent positions at the Company and other companies	Other supervisors, directors or supervisors with a relationship of spouse or second-degree kinship.			Remarks
							Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Title	Name			Relationship			
Director	Taiwan	Kouzui Motors Ltd. Representative: Wen-Chih Chien	Male Over 61 years old	July 1, 2022	Three years	April 1, 2019	-	-	-	-	-	-	-	-	Department of Industrial Design, Datong University	Director and Vice President of Kouzui Motors Ltd. Director of Fuzhou Fuxiang Automobile Industry Co., Ltd. Managing Director of Taiwan Transportation Vehicle Manufacturers Association	-	-	-	-
Director	Taiwan	Kouzui Motors Ltd. Representative: Kun-Sheng Lan	Male Over 61 years old	July 1, 2022	Three years	April 1, 2020	-	-	-	-	-	-	-	-	Department of Wheel Machinery Engineering, National Taiwan Ocean University	AVP of Kouzui Motors Ltd. Managing Director of SAE Taipei Section Director of Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd. Director of Jinlong Kian Shen (Hangzhou) Vehicle Parts Co., Ltd.	-	-	-	-
Director	Japan	Kouzui Motors Ltd. Representative: Naoki Kobayashi	Male 51~60 years old	July 1, 2022	Three years	February 1, 2022	-	-	-	-	-	-	-	-	Production Mechanical Engineering Department Nippon Institute of Technology	AVP of Kouzui Motors Ltd.	-	-	-	-
	Taiwan	Yulon-Administered Enterprises Co., Ltd.					10,600	0.01%	10,600	0.01%										
Director	Taiwan	Yulon-Administered Enterprises Co., Ltd. Representative: Hsin-Cheng Tseng	Male 51~60 years old	July 1, 2022	Three years	April 1, 2019	-	-	-	-	-	-	-	-	School of Business Management, National Cheng Chi University	Vice President of China Motor Corporation Director of ROC-Spicer Ltd. Director of Shung Ye Motor Co., Ltd. Chairman of Fortune Motors Co., Ltd.	-	-	-	-
Director	Taiwan	Yulon-Administered Enterprises Co., Ltd. Representative: Hung-Ching Yang	Male 51~60 years old	July 1, 2022	Three years	January 1, 2022	-	-	-	-	-	-	-	-	Department of Mechanical Learning, Sun Yat-Sen University	Vice President of China Motor Corporation Director of Uni-Calsonic Corporation Director of ROC-Spicer Ltd. Director of China Engine Corporation Director of Fuzhou Fuxiang Automobile Industry Co., Ltd.	-	-	-	-

Title	Nationality or place of registration	Name	Gender and age	Date of election (taking office)	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and minor children		Shareholding in other people's names		Education and experience	Current concurrent positions at the Company and other companies	Other supervisors, directors or supervisors with a relationship of spouse or second-degree kinship.			Remarks
							Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Title	Name			Relationship			
Independent director	Taiwan	Te-Chang Yeh	Male Over 61 years old	July 1, 2022	Three years	July 1, 2016	-	-	-	-	-	-	-	-	School of Economics, National Cheng Chi University	Advisor of Wafer Works Corporation Supervisor of Shanghai Wafer Works Supervisor of Shanghai Jingmeng Silicon Materials Co., Ltd. Supervisor of Zhengzhou Wafer Works Director of Silicon Technology Investment (Cayman) Corp. Independent Director of Highpoint Service Network Corporation Independent Director of DFI Inc. Supervisor of Maxkit Technology Co., Ltd.	-	-	-	-
Independent director	Taiwan	Wei-Ching Lui	Female Over 61 years old	July 1, 2022	Three years	July 1, 2019	-	-	-	-	-	-	-	-	Land Policy Institute National Cheng Chi University	Independent Director of China Motor Corporation	-	-	-	-
Independent director	Taiwan	Chi-Ching Chen	Male Over 61 years old	July 1, 2022	Three years	July 1, 2022	-	-	-	-	-	-	-	-	MBA, MIT Sloan School of Management	Independent Director of China Motor Corporation Independent Director of Yulon Finance Corporation Director of Haofeng Asset Co., Ltd.	-	-	-	-

Note: (1) On January 1, 2022, Chin-Huang Chang, representative of Yulon-Administered Enterprises Co., Ltd. was dismissed, and Hong-Ching Yang was appointed as a director.

(2) On February 1, 2022, Takayuki Ogano, representative of Kouzui Motors Ltd. was dismissed, and Kobayashi Naoki was appointed as a director.

(3) On July 1, 2022, three independent directors were elected to establish the Audit Committee, and Yuan-Long Chen and Ching-W Chien, representatives of Weitai Investment Co., Ltd., were dismissed.

## (II) Major shareholders of corporate shareholders

April 17, 2023

Name of corporate shareholder	Major shareholder of corporate shareholder	Shareholding percentage %
China Motor Corporation	1. Tai Yuen textile Co., Ltd.	25.19
	2. Mitsubishi Motors Corporation	14.00
	3. Yulon Motor Co., Ltd.	8.05
	4. Diamond Hosiery & Thread Co., Ltd.	6.76
	5. Labor pension fund under new system	1.88
	6. Taiwan Life Insurance Co., Ltd.	1.18
	7. Citibank Taiwan trusted for custody of Norwegian Central Bank investment account	1.01
	8. Pan German Investment Co., Ltd.	0.90
	9. Yong Han Investment Co., Ltd.	0.72
	10. Trust Department of First Commercial Bank trusted for custody of UPAMC Optima Fund	0.68
Kouzui Motors Ltd.	1. Toyota Motor Corp.	65.00
	2. Hotai Motor Co., Ltd.	30.00
	3. Hino Motors, Ltd. (Total shareholding percentage of aforementioned shareholders is 100%)	5.00
Weitai Investment Co., Ltd.	1. Chen Li-Lien Yen	33.32
	2. Pei-Yu Yen	33.29
	3. Hsiang-Nan Yen	33.29
	4. Pan German Investment Co., Ltd.	0.04
	5. Wei Wen Investment Co., Ltd.	0.02
	6. Le Wen Investment Co., Ltd.	0.02
	7. Jing Yu Investment Co., Ltd. (Total shareholding percentage of aforementioned shareholders is 100%)	0.02

## (III) Major Shareholders of Corporate Shareholders as the Major Shareholders

## 1. Major shareholders as juridical persons for the major shareholders of China Motor Corporation

April 17, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding percentage %
1. Tai Yuen textile Co., Ltd.	1. Xiang Wei Investment Co., Ltd.	22.15
	2. Yen Tjing Ling Industrial Development Foundation	14.24
	3. Hoffman Brothers Investment Co., Ltd (British Virgin Islands)	9.80
	4. Evens Investment Co., Ltd (British Virgin Islands)	9.71
	5. West Bridge Investment Co., Ltd. (Cayman)	9.13
	6. Li Yuan Investment Co., Ltd.	7.17
	7. Yun Shueng Investment Corp.	6.82
	8. Diamond Hosiery & Thread Co., Ltd.	5.89
	9. Li Peng Investment Co., Ltd.	5.61
	10. Yuan Wei Investment Co., Ltd.	3.10
2. Mitsubishi Motors Corporation	1. Nissan Motor Co., Ltd.	34.01
	2. Mitsubishi Corporation	20.00
	3. Master Trust Bank of Japan, Ltd. (Trust Department)	7.12
	4. MSCO CUSTOMER SECURITIES	1.49
	5. Mitsubishi Heavy Industries, Ltd.	1.44
	6. Custody Bank of Japan, Ltd. (Trust Department)	1.17
	7. MUFG Bank, Ltd.	0.99
	8. JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO	0.61
	9. CGMI PB CUSTOMER ACCOUNT	0.58

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding percentage %
	10. JP MORGAN CHASE BANK 385781	0.56
3. Yulon Motor Co., Ltd.	1. Tai Yuen textile Co., Ltd. 2. China Motor Corporation 3. Chen Li-Lien Yen 4. Pei-Yu Yen 5. Hsiang-Nan Yen 6. Pan German Investment Co., Ltd. 7. Shih-Chung Lin 8. Yen Tjing Ling Industrial Development Foundation 9. Labor pension fund under new system 10. JPMorgan Chase Bank trusted for custody of Vanguard Emerging Markets Stock Index Fund account	18.11 16.67 3.42 3.39 3.39 1.66 1.30 1.10 1.09 0.76
4. Diamond Hosiery & Thread Co., Ltd.	1. Wanda Co., Ltd. (British Virgin Islands) 2. Tai Yuen textile Co., Ltd. 3. Xiang Wei Investment Co., Ltd. 4. Wu Shun Wen Industrial and Commercial Development Foundation 5. Le Wen Investment Co., Ltd. 6. Wei Wen Investment Co., Ltd. 7. Chen Li-Lien Yen 8. Pei-Yu Yen 9. Hsiang-Nan Yen (Total shareholding percentage of aforementioned shareholders is 100%)	72.51 21.97 5.09 0.1684 0.13 0.13 0.0002 0.0002 0.0002
5. Labor pension fund under new system	Since it is not a juridical person, this is not applicable	-
6. Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.	100
7. Citibank Taiwan trusted for custody of Norwegian Central Bank investment account	Since it is not a juridical person, this is not applicable	-
8. Pan German Investment Co., Ltd.	1. Weitai Investment Co., Ltd. 2. Wei Wen Investment Co., Ltd. 3. Le Wen Investment Co., Ltd. 4. Chien-Lin Chu 5. Wei-Kung Chi (Total shareholding percentage of aforementioned shareholders is 100%)	33.36 33.30 33.30 0.02 0.02
9. Yong Han Investment Co., Ltd.	Yulon Motor Co., Ltd.	100
10. Trust Department of First Commercial Bank trusted for custody of UPAMC Optima Fund	Since it is not a juridical person, this is not applicable	-

2. Major shareholders as juridical persons for the major shareholders of Kouzui Motors Ltd.

April 17, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding percentage %
1. Toyota Motor Corp.	<ol style="list-style-type: none"> <li>1. Japan Master Trust Bank Co., Ltd.</li> <li>2. Toyota Industries Corporation</li> <li>3. Custody Bank of Japan, Ltd.</li> <li>4. Nippon Life Insurance Company</li> <li>5. JPMorgan Chase Bank</li> <li>6. Denso Corporation</li> <li>7. State Street Bank and Trust Company</li> <li>8. BNY MELLON (Representative of Sumitomo Mitsui Banking Corporation)</li> <li>9. MS&amp;AD Insurance Group Holdings, Inc.</li> <li>10. Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</li> </ol>	<p>11.72 7.31 5.90 19.18 15.48 13.58 10.24 8.94 8.58 7.71</p>
2. Hotai Motor Co., Ltd.	<ol style="list-style-type: none"> <li>1. Hoyu Investment Co., Ltd.</li> <li>2. Toyota Motor Corp.</li> <li>3. Fong Gang Enterprise Co., Ltd.</li> <li>4. Gin Yuan Shan Investment Co., Ltd.</li> <li>5. Cheng Sun Trading Co., Ltd.</li> <li>6. Shen Le Investment Co., Ltd.</li> <li>7. Yuan Tou Investment Co., Ltd.</li> <li>8. Golden Orange Corporation</li> <li>9. Zi Geng Development Co., Ltd.</li> <li>10. Tai Zhang Investment Co., Ltd.</li> </ol>	<p>8.84 8.13 7.43 6.60 4.50 3.11 2.67 2.50 2.43 2.29</p>
3. Hino Motors, Ltd.	<ol style="list-style-type: none"> <li>1. Toyota Motor Corp.</li> <li>2. Master Trust Bank of Japan (Trust Department)</li> <li>3. Custody Bank of Japan, Ltd. (Trust Department)</li> <li>4. SSBTC CLIENT OMNIBUS ACCOUNT</li> <li>5. Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</li> <li>6. STATE STREET BANK WEST CLIENT-TREATY505234</li> <li>7. Goldman Sachs Group, Inc. (BNYM)</li> <li>8. DENSO Corporation</li> <li>9. J.P.MORGAN BANK LUXEMBOURG S.A.381572</li> <li>10. Nisshinbo Holdings Inc.</li> </ol>	<p>50.14 11.9 2.89 0.89 0.85 0.83 0.76 0.71 0.67 0.65</p>

3. Major shareholders as juridical persons for the major shareholders of Weitai Investment Co., Ltd.

April 17, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding percentage %
1. Chen Li-Lien Yen	It refers to an individual shareholder; therefore, provision of information is not required.	-
2. Pei-Yu Yen	It refers to an individual shareholder; therefore, provision of information is not required.	-
3. Hsiang-Nan Yen	It refers to an individual shareholder; therefore, provision of information is not required.	-
4. Pan German Investment Co., Ltd.	1. Weitai Investment Co., Ltd. 2. Wei Wen Investment Co., Ltd. 3. Le Wen Investment Co., Ltd. (Total shareholding percentage of aforementioned shareholders is 100%)	33.36 33.34 33.30
5. Wei Wen Investment Co., Ltd.	1. Chen Li-Lien Yen 2. Pei-Yu Yen 3. Hsiang-Nan Yen 4. Le Wen Investment Co., Ltd. 5. Jing Yu Investment Co., Ltd. 6. Pan German Investment Co., Ltd. 7. Weitai Investment Co., Ltd. (Total shareholding percentage of aforementioned shareholders is 100%)	28.84 28.73 28.73 10.94 2.56 0.10 0.10
6. Le Wen Investment Co., Ltd.	1. Weitai Investment Co., Ltd. 2. Wei Wen Investment Co., Ltd. 3. Pan German Investment Co., Ltd. 4. Chen Li-Lien Yen 5. Pei-Yu Yen 6. Hsiang-Nan Yen (Total shareholding percentage of aforementioned shareholders is 100%)	40.32 30.63 18.92 3.39 3.37 3.37
7. Jing Yu Investment Co., Ltd.	1. Evens Investment Co., Ltd. 2. Pan German Investment Co., Ltd. 3. Weitai Investment Co., Ltd. (Total shareholding percentage of aforementioned shareholders is 100%)	99.96 0.02 0.02

(IV) Disclosure of Information on Professional Qualifications and Independence of Independent Directors

March 30, 2023

Name	Requirement	Professional qualifications and experience	Status of independence	Number of independent director positions concurrently holding at other public companies
Chao-Wen Chen	Having work experience in board operations, corporate administration, global markets and related industries. Formerly the Vice President, Assistant Vice President and Production Technology Department Manager of China Motor Corporation.			-
Chiung-Chih Tseng	Having work experience in board operations, factory leadership, global markets and related industries. Formerly the Assistant Vice President of Production Group and Assistant Vice President of Business Group of China Motor Corporation.			-
Wen-Chih Chien	Having work experience in board operations and factory leadership. Formerly the Assistant Vice President of Management Department and Senior Manager of Coordination Department of Kouzui Motors Ltd.			-
Kun-Sheng Lan	Having work experience in quality and factory management. Formerly the Assistant Vice President of Management Department and Senior Manager of Quality Assurance Department of Kouzui Motors Ltd.			-
Naoki Kobayashi	Having work experience in production management, improvement and investigation. Formerly the Director of Production Investigation Department of Hino Motors, Ltd.			-
Hsin-Cheng Tseng	Having work experience in board operations, global markets, corporate administration and related industries. Formerly the Assistant Vice President and Service Department Manager of China Motor Corporation.			-
Hung-Ching Yang	Having work experience in board operations, global markets, corporate administration and related industries. Formerly the President of Southeast Motor, and Assistant Vice President of Production Group and Assistant Vice President of Technology Development Group of China Motor Corporation.			-
Te-Chang Yeh	Having work experience in board operations and financial investment. Formerly the Advisor of Wafer Works Corporation, Independent Director of Chia Yu Co., Ltd., Independent Director of DFI Inc., and Advisor and President of USI Management Consulting Corporation.			2
Wei-Ching Lui	Having work experience in board operations, finance and commerce. Formerly the Independent Director of China Motor Corporation, Deputy Mayor of New Taipei City			1

Name \ Requirement	Professional qualifications and experience	Status of independence	Number of independent director positions concurrently holding at other public companies
	Government, Director of the Finance Bureau of New Taipei City Government, Deputy Director of the Treasury Department of the Ministry of Finance, and Counselor of the Ministry of Finance.		
Chi-Ching Chen	Having work experience in board operations and business management. Formerly the Independent Director of China Motor Corporation, Independent Director of Yulon Finance Corporation, Director of Haofeng Asset Co., Ltd., Director of GigaMedia Limited Co., and Director of Financial One Corp.		2

(V) Diversity and independence of the board of directors

In the "Measures for Election of Directors", the Company clearly stipulates that for the composition of the board of directors, diversity should be considered with no restriction on the gender, age, nationality, and culture background. In addition to having the knowledge, skills and literacy necessary for performing their duties, in order to achieve the goal of corporate governance, the overall capabilities of the board of directors shall include diversified professional backgrounds with: 1. Operational judgment ability. 2. Accounting and financial analysis ability. 3. Operation and management ability. 4. Crisis management ability. 5. Knowledge of the industry. 6. International market perspective. 7. Leadership. 8. Decision-making ability.

The combination of directors and independent directors on the board of directors should maintain a balanced development to ensure that the board of directors has a high degree of independence. The Company currently has ten directors, with one female director, accounting for 10% of the total members, and three independent directors, accounting for 30% of the total members. One independent director has a term of less than three years, and the other two independent directors have a term of more than three years.

As of the end of 2022, there were six directors aged 61 and above, and four directors aged 51-60. All independent directors met the standards set by the Securities and Futures Bureau, FSC for independent directors, and none of the directors had any relative relationships, including spouse or relative within the second degree of kinship. Please refer to the attachment and "Board Member Information" on the Company's website for information on their academic background, gender, professional qualifications, work experience and diversity status.

## (VI) Information of President, Vice Presidents, Assistant Vice Presidents and Supervisors of all departments and branches

March 30, 2023

Title	Nationality or place of registration	Name	Gender	Date of election (taking office)	Shareholding		Shareholdings of spouse and minor children		Shareholding in other people's names		Education and experience	Current concurrent positions at other companies	Managers with relationships of spouse or relative within the second degree of kinship			Remarks
					Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding			Title	Name	Relationship	
President	Taiwan	Chiung-Chih Tseng	Male	September 1, 2021	None.	None.	None.	None.	None.	None.	Department of Mechanical Engineering, Tamkang University	Director of Fuzhou Fuxiang Automobile Industry Co., Ltd. Director of Guangzhou Enten Yulong Transmission System Co., Ltd. Director of Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd. Director of Jinlong Kian Shen (Hangzhou) Vehicle Parts Co., Ltd. Director of Guangzhou Enten Yulong Transmission System Co., Ltd.	-	-	-	-
Vice President	Taiwan	Der-Hsiang Yu	Male	July 1, 2017	None.	None.	None.	None.	None.	None.	School of Business Management, Tunghai University	Supervisor of Fuzhou Fuxiang Automobile Industry Co., Ltd. Supervisor of Guangzhou Enten Yulong Transmission System Co., Ltd. Supervisor of Xiangyang Enten Yulong Transmission System Co., Ltd. Director of Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd. Director of Jinlong Kian Shen (Hangzhou) Vehicle Parts Co., Ltd.	-	-	-	-
Vice President	Taiwan	Chen-Ching Sung	Male	April 1, 2021	None.	None.	None.	None.	None.	None.	Department of Agricultural Machinery, National Chung Hsing University	None.	-	-	-	-
Vice President	Taiwan	Cheng-Yi Weng	Male	January 1, 2021	None.	None.	None.	None.	None.	None.	Accounting Department, Tamkang University	Director and President of Guangzhou Enten Yulong Transmission System Co., Ltd.	-	-	-	-
Assistant Vice President	Taiwan	Ya-Ling Chang	Female	January 1, 2019	None.	None.	None.	None.	None.	None.	Department of Banking and Insurance, Feng Chia University	Supervisor of Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd. Supervisor of Jinlong Kian Shen (Hangzhou) Vehicle Parts Co., Ltd. Supervisor of Fuzhou Fuxiang Automobile Industry Co., Ltd.	-	-	-	-
Assistant Vice President	Taiwan	Yi-Wen Liao	Male	January 1, 2022	None.	0.001%	1,000	None.	None.	None.	Department of Industrial Engineering and Management, Ching Yun University	None.	-	-	-	-
Assistant Vice President	Taiwan	Chen-Kui Chen	Male	January 1, 2021	None.	None.	None.	None.	None.	None.	Mechanical Engineering Department, Chien Hsin Industrial College	Director and President of Xiangyang Enten Yulong Transmission System Co., Ltd.	-	-	-	-
Assistant Vice President	Taiwan	Yu-Cheng Huang	Male	December 1, 2022	12,000	0.016%	4,000	0.005%	None.	None.	Institute of Industrial Economics, Central University	President of Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd.	-	-	-	-

(VII) Remuneration paid to General Directors, Independent Directors, Supervisors, Presidents and Vice Presidents in the past year:

1. Remuneration to General Directors and Independent Directors

Unit: NTS thousand

Title	Name	Directors' remuneration				Remuneration to directors holding employee positions concurrently				Sum of A, B, C, D, E, F and G and as a percentage of net income after tax		Remuneration from other than subsidiaries or parent company			
		Compensation (A)		Pension (B)		Directors' Remuneration (C)		Business execution expenses (D)		Sum of A, B, C, D, E, F and G and as a percentage of net income after tax					
		The Company in any financial statements	All companies in financial statements	The Company in any financial statements	All companies in financial statements	The Company in any financial statements	All companies in financial statements	The Company in any financial statements	All companies in financial statements	The Company in any financial statements	All companies in financial statements				
Chairman (note 1)	Chao-Wen Chen	656	-	-	572	96	96	0.53%	-	-	-	-	1.45%	1.45%	8,933
Director (note 1)	Chiung-Chih Tseng	-	-	-	-	96	96	0.53%	2,450	2,450	49	-	-	-	1,342
Director (note 2)	Wen-Chih Chien	-	-	-	-	96	96	-	-	-	-	-	-	-	0
Director (note 2)	Kun-Sheng Lan	-	-	-	-	96	96	-	-	-	-	-	-	-	0
Director (notes 2 and 3)	Naoki Kobayashi	-	-	-	687	88	88	0.36%	-	-	-	-	0.36%	0.36%	0
Director (note 3)	Takayuki Ogano	-	-	-	-	8	8	-	-	-	-	-	-	-	0
Director (note 4)	Hsin-Cheng Tseng	-	-	-	458	96	96	0.24%	-	-	-	-	0.24%	0.24%	4,752
Director (note 4)	Hung-Ching Yang	-	-	-	-	96	96	-	-	-	-	-	-	-	4,267
Independent director	Wei-Ching Lui	-	-	-	-	540	540	0.20%	-	-	-	-	0.20%	0.20%	1,200
Independent director	Te-Chang Yeh	-	-	-	-	540	540	0.20%	-	-	-	-	0.20%	0.20%	0
Independent director (note 5)	Chi-Ching Chen	-	-	-	-	310	310	0.11%	-	-	-	-	0.11%	0.11%	1,200

Note: For directors who are representatives of legal persons, remuneration is paid to the legal persons but not to the individual directors.

(1) Chairman Chao-Wen Chen and Director Chiung-Chih Tseng are representatives of China Motor Corporation.

(2) Directors Wen-Chih Chien, Kun-Sheng Lan, and Naoki Kobayashi are the representatives of Kouzui Motors Ltd.

(3) On February 1, 2022, Takayuki Ogano, representative of Kouzui Motors Ltd., was dismissed, and Kobayashi Naoki was appointed as a director.

(4) Directors Hsin-Cheng Tseng and Hung-Ching Yang are representatives of Yulon-Administered Enterprises Co., Ltd.

(5) Chi-Ching Chen assumed the position of independent director on July 1, 2022.

(6) The remuneration to independent directors is determined based on the responsibilities, risks, time invested and other factors related to the positions of the independent directors and functional committee members, and is set with reference to the remuneration level of peer companies in the same industry and other listed companies, and in accordance with laws and regulations related to the Company Act, with the approval of the board meeting.

## 2. Remuneration to Supervisors

Unit: NT\$ thousand

Title	Name	Supervisors' remuneration						Sum of A, B and C and as a percentage of net income after tax		Remuneration from reinvestments other than subsidiaries or parent company
		Compensation (A)		Compensation (B)		Business execution expenses (C)		The Company	All companies in financial statements	
		The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements			
Supervisor (note 1)	Yuan-Long Chen	-	-	-	-	48	48	0.04%	0.04%	0
Supervisor (notes 1 and 2)	Ching-Wu Chien	-	-	-	-	48	48			2,234

Note: For supervisors who are representatives of legal persons, remuneration is paid to the legal persons but not to the individual supervisors.

- (1) Supervisors Yuan-Long Chen and Ching-Wu Chien are representatives of Weitai Investment Co., Ltd.
- (2) Yuan-Long Chen and Ching-Wu Chien, representatives of Weitai Investment Co., Ltd., were dismissed from their supervisor positions on July 1, 2022.

## 3. Remuneration to President and Vice Presidents

Unit: NT\$ thousand

Title	Name	Salary (A)		Pension (B)		Bonuses and special allowances (C)		Employees' remuneration (D)				Sum of A, B, C, and D and as a percentage of net income after tax		Remuneration from reinvestments other than subsidiaries or parent company
		The Company	All companies in financial statements	The Company	All companies in financial statements	The Company	All companies in financial statements	The Company		All companies in financial statements		The Company	All companies in financial statements	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
President	Chiung-Chih Tseng	1,618	1,618	-	-	832	832	49	-	49	-	0.93%	0.93%	1,342
Vice President	Der-Hsiang Yu	1,430	1,430	-	-	640	640	41	-	41	-	0.78%	0.78%	0
Vice President	Chen-Ching Sung	1,430	1,430	-	-	613	613	41	-	41	-	0.77%	0.77%	0
Vice President	Cheng-Yi Weng	600	2,616	-	-	86	86	42	-	42	-	1.02%	1.02%	0

4. Analysis of remuneration paid in the past two years to the Company's directors, supervisors, president and vice presidents, and their respective proportion of profit after tax in the individual or respective financial report, and explain the policies, standards and combinations, procedures for setting the remuneration, and their correlation with business performance and future risks

Object of payment	Proportion of total remuneration to profit net of tax		Percentage of increase (decrease)
	2022	2021	
Director	2.56%	2.15%	0.41%
Supervisor	0.04%	0.24%	(0.2%)
President and Vice Presidents	3.50%	2.01%	1.49%

Explanation: 1. The proportion of remuneration of directors, president and vice presidents, increased compared with that in 2021, mainly due to the growth of net operating income in 2022 and the increase of bonuses. In addition, the fixed part of remuneration such as salary is paid according to the value of their participation and contribution to the Company's operation, and with reference to the level of the same industry, and has no special relationship with the Company's profit (loss) net of tax.

2. The remuneration paid by the Company to directors and managers is determined by the Remuneration Committee, which regularly reviews and evaluates the annual and long-term performance goals, policies, systems, standards and structures of salary and remuneration, as well as the achievement of performance goals, in order to comprehensively consider the salary amount, payment method and future operational risks. For distribution items that belong to the earnings distribution scheme, they must also be submitted to the shareholders' meeting for approval before proceeding.

3. According to Article 16 of the Company's Articles of Association, the directors of the Company may receive remuneration, and the remuneration shall be set based on the industry standard.

4. Article 20 of the Company's Articles of Association also clearly stipulates that if the Company makes a profit in the year, it should allocate employees' and directors' remuneration; however, the employees' remuneration should not be less than 0.1%, the directors' remuneration should not be higher than 1%, and independent directors should not participate in the distribution. The managers' remuneration includes salary and bonuses, which are determined based on the managers' responsibilities and values of contribution in business management, with reference to the salary standards of various job levels in the same industry. After comprehensive evaluation of items such as goal achievement rate, profit margin, operational efficiency, performance evaluation items, and degree contribution, the Company calculates the remuneration according to relevant reward methods and provides reasonable remuneration, and timely review the remuneration of directors and managers based on actual business conditions and relevant laws and regulations.

5. Names of managers who received employees' remuneration and the distribution status

Unit: NTS thousand

	Title	Name	Amount in shares	Amount in cash	Total	Proportion of total amount to profit net of tax
Manager	President	Chiung-Chih Tseng	—	49	49	0.02%
	Vice President	Der-Hsiang Yu	—	41	41	0.02%
	Vice President	Chen-Ching Sung	—	41	41	0.02%
	Vice President	Cheng-Yi Weng	—	42	42	0.02%
	Assistant Vice President	Ya-Ling Chang	—	123	123	0.05%
	Assistant Vice President	Yi-Wen Liao				
	Assistant Vice President	Chen-Kui Chen				
	Assistant Vice President	Yu-Cheng Huang				

### III. Implementation of Corporate Governance

#### (I) Operation status of board of directors

The board of directors held seven meetings in 2022 and up to the end of March 2023, and the attendance of directors and supervisors is as follows:

Title	Name of corporate shareholder	Name	Actual attendance number	Entrusted attendance number	Actual attendance rate	Remarks
Chairman (note 1)	China Motor Corporation	Chao-Wen Chen	7	-	100%	Re-elected on July 1, 2022
Director (note 1)		Chiung-Chih Tseng	7	-	100%	Re-elected on July 1, 2022
Director (note 2)	Kouzui Motors Ltd.	Wen-Chih Chien	7	-	100%	Re-elected on July 1, 2022
Director (note 2)		Kun-Sheng Lan	7	-	100%	Re-elected on July 1, 2022
Director (note 2)		Naoki Kobayashi	6	1	86%	Re-elected on July 1, 2022
Director (note 3)	Yulon-Administered Enterprises Co., Ltd.	Hsin-Cheng Tseng	7	-	100%	Re-elected on July 1, 2022
Director (note 3)		Hung-Ching Yang	7	-	100%	Re-elected on July 1, 2022
Independent director	-	Te-Chang Yeh	7	-	100%	Re-elected on July 1, 2022
Independent director	-	Wei-Ching Lui	7	-	100%	Re-elected on July 1, 2022
Independent director	-	Chi-Ching Chen	5	-	100%	Newly elected on July 1, 2022
Supervisor (note 4)	Weitai Investment Co., Ltd.	Yuan-Long Chen	2	-	100%	Dismissed on July 1, 2022
Supervisor (note 4)		Ching-Wu Chien	2	-	100%	Dismissed on July 1, 2022

Other matters to be recorded:

- In case of any of the following circumstances in the operation of the board meetings, state the date, session, content of the proposal, all independent directors' opinions, and the Company's handling of the independent directors' opinions:
  - The items listed in Article 14-3 of the Security and Exchange Act: Please refer to the important resolutions of the shareholders' meeting and the board meeting for the opinions of independent directors.
  - Other than those described above, any objections or qualified opinions raised by independent directors against board resolutions with records or declarations in writing: None.
- For the implementation of the directors' avoidance of the proposals involving personal interests, state the name of the director, the content of the proposal, the reason for the avoidance, and the status of their participation in voting: None.
- For the Company's disclosure of information including the evaluation cycle and period, evaluation scope, method and evaluation content of the board's self (or peer) evaluation, please refer to the Status of Evaluation of the Board of Directors in the following table.
- Goals for enhancements to the functionality of the board of directors in the current and the past year (e.g. establishment of an Audit Committee, improvement of information transparency, etc), and the implementation status: According to the Measures for Performance Evaluation of the Board of Directors, the performance is evaluated before the end of the year, and the evaluation results are submitted to the board of directors for review and improvement, in order to enhance the function and operational efficiency of the board of directors.

Note: (1) Chairman Chao-Wen Chen and Director Chiung-Chih Tseng are representatives of China Motor Corporation.

(2) Directors Wen-Chih Chien, Kun-Sheng Lan, and Naoki Kobayashi are the representatives of Kouzui Motors Ltd.

- (3) Directors Hsin-Cheng Tseng and Hung-Ching Yang are representatives of Yulon-Administered Enterprises Co., Ltd.  
(4) On July 1, 2022, the Audit Committee was established, and Yuan-Long Chen and Ching-W Chien, representatives of Weitai Investment Co., Ltd., were dismissed.

## (II) Status of Evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once a year	January 1, 2022 to December 31, 2022	<ol style="list-style-type: none"> <li>1. Performance evaluation of the board of directors.</li> <li>2. Performance evaluation of individual board members.</li> <li>3. Performance evaluation of the Remuneration Committee.</li> <li>4. Performance evaluation of the Audit Committee.</li> </ol>	Internal self-evaluation by the board, self-evaluation by individual board members, and self-evaluation by the Remuneration Committee and the Audit Committee	<ol style="list-style-type: none"> <li>1. Performance evaluation of the board: Participation in the operation of the Company; improvement in the quality of board resolutions, composition and structure of the board of directors; election and continuing study of directors, and internal control.</li> <li>2. Performance evaluation of individual board members: awareness of the Company and responsibility, participation in the operation of the Company, the director's professionalism and continuing study, and internal control.</li> <li>3. Performance evaluation of the Remuneration Committee: participation in the operation of the Company, improvement in the awareness of the duties of the Remuneration Committee, quality of decision making by the Remuneration Committee, composition of the Remuneration Committee, and election of its members.</li> <li>4. Performance evaluation of the Audit Committee: participation in the operation of the Company, improvement in the awareness of the duties of the Audit Committee, quality of decision making by the Audit Committee, composition of the Audit Committee and election of its members, and internal control.</li> </ol>

## (III) Operation status of Audit Committee

### 1. The Company's Audit Committee has three members.

Title	Name	Professional qualifications and experience
Independent director (convener)	Chi-Ching Chen	Independent Director Chi-Ching Chen has an MBA degree from MIT Sloan School of Management, and was formerly the Director of GigaMedia Limited Co. and Director of Financial One Corp.; he is currently the concurrent Independent Director of China Motor Corporation and Yulon Finance Corporation, and Director of GigaMedia Limited Co., and Director of Haofeng Asset Co., Ltd.
Independent director	Wei-Ching Lui	Independent Director Wei-Ching Lui has a master's degree from Land Policy Institute, National Chengchi University, and was formerly Deputy Mayor of New Taipei City Government and Director of the Finance Bureau of New Taipei City Government, and is concurrently the Independent Director of China Motor Corporation.
Independent director	Te-Chang Yeh	Independent Director Te-Chang Yeh has a master's degree from Institute of Economy, National Chengchi University, and is Advisor of Wafer Works Corporation and Director of Silicon Technology Investment (Cayman) Corp., and concurrently Supervisor of Shanghai Wafer Works, Supervisor of Shanghai Jingmeng Silicon Materials Co., Ltd. and Supervisor of Zhengzhou Wafer Works, Independent Director of Chia Yu Co., Ltd., Independent Director of DFI Inc., and Supervisor of Maxkit Technology Co., Ltd.

2. Term of office of current committee members: The Company established the Audit Committee in 2022. The term of office of the first-term committee members is from July 1, 2022 to June 30, 2025, and as of the end of March 2022 and 2023, the Committee held four meetings (A), with the attendance of the committee members as follows:

Title	Name	Actual attendance number (B)	Entrusted attendance number	Actual attendance rate (%) (B/A)	Remarks
convener	Chi-Ching Chen	4	-	100%	

Committee member	Wei-Ching Lui	4	-	100%	
Committee member	Te-Chang Yeh	4	-	100%	

Other matters to be recorded:

- In case of any of the following circumstances in the operation of the Audit Committee meeting, state the date, session, content of the proposal, independent directors' objections, reservations or significant proposal content, resolution of the Audit Committee, and the Company's handling of the opinions of the Audit Committee:
  - Matters listed in Article 14-5 of the Securities and Exchange Act: See point 3 on page 18.
  - Other than the matters above, the resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors: None.
- For the implementation of the directors' avoidance of the proposals involving personal interests, state the name of the director, the content of the proposal, the reason for the avoidance, and the status of their participation in voting: None.
- Communication between independent directors and internal audit supervisors and CPAs (including significant matters, methods, and results of communication regarding the Company's financial and business status): Please refer to the "Communication between Independent Directors and Internal Audit Manager and CPAs" on our company website.

3. The Audit Committee of the Company is to assist the board of directors in overseeing the quality and integrity of the Company's execution of accounting, audit and financial reporting processes and financial controls. The Committee held four meetings in the past year, and the main review items include:

- Audit of financial statements and accounting policies and procedures.
- Internal control system and related policies and procedures.
- Legal compliance.
- Qualification, independence and performance evaluation of certifying CPAs.
- Appointment, dismissal or remuneration of certifying CPAs.
- Fulfillment of Audit Committee's responsibilities.

#### 4. Operations of the Audit Committee

Session and term/date	Proposal content	Securities and Exchange Act §14-5 Matters listed	Proposals not approved by the Audit Committee, but approved by more than 2/3 of all directors
1st meeting of the 1st term 2022.08.01	1. Consolidated financial statements for the first half of 2022.	V	
	2. Proposal to revise the "Internal Audit Implementation Rules".	V	
	Resolution result: All attending members passed the proposal as it was. The Company's handling of the opinions of the Audit Committee: After being submitted to the second meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.		
2nd meeting of the 1st term 2022.11.07	1. Consolidated financial statements for the first three quarters of 2022.	V	
	2. Proposal to revise the "Internal Control System" and "Internal Audit Implementation Rules".	V	
	3. Proposal to revise the "Process Management Measures for Accounting Professional Judgment Procedures, Accounting Policies and Estimation Changes".	V	
	Resolution result: All attending members passed the proposal as it was. The Company's handling of the opinions of the Audit Committee: After being submitted to the third meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.		
3rd meeting of the 1st term 2022.12.15	1. Formulation of the 2023 audit plan.	V	
	2. Proposal to revise the "Material Internal Information Processing Procedure".	V	
	3. Remuneration of certifying CPAs for 2022.	V	
	4. Change of certifying CPA firm.	V	
	Resolution result: All attending members passed the proposal as it was. The Company's handling of the opinions of the Audit Committee: After being submitted to the fourth		

Session and term/date	Proposal content	Securities and Exchange Act §14-5 Matters listed	Proposals not approved by the Audit Committee, but approved by more than 2/3 of all directors
	meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.		
4th meeting of the 1st term 2023.03.10	1. 2022 individual and consolidated financial statements.	V	
	2. 2022 earnings distribution proposal.	V	
	3. Appointment, remuneration and evaluation of independence and performance of certifying CPAs for 2023.	V	
	4. Proposal to issue the Company's 2022 "Declaration on Internal Control System".	V	
	5. Proposal to revise the Company's "Internal Control System" and "Internal Audit Implementation Rules".	V	
	Resolution result: All attending members passed the proposal as it was. The Company's handling of the opinions of the Audit Committee: After being submitted to the fifth meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.		

(IV) The operation status of corporate governance, and the differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons

Assessment items	Operation status		Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Company Equity Structure and Shareholders' Equity			
(I) Has the Company established internal operating procedures to handle shareholder suggestions, doubts, disputes and litigation, and implement them in accordance with the procedures?	V		(I) Regarding shareholders' suggestions, questions, disputes, and litigation matters, in addition to the spokesman system to answer and explain, shareholders can visit the Company's website at <a href="http://www.kian-shen.com/">http://www.kian-shen.com/</a> to reflect their opinions, and the responsible unit will properly respond; in addition, a dedicated stock affairs unit is set up in the Finance Department to handle and respond at any time.
(II) Does the Company have a list of the major shareholders who actually control the Company and the final controllers of the major shareholders?	V		(II) The Company keeps track of the list of the major shareholders who actually control the Company and the ultimate controllers of major shareholders, and file shareholding and share pledge and release in accordance with the information reporting procedures for TWSE listed companies.
(III) Has the Company established and implemented risk control and firewall mechanisms with affiliated enterprises?	V		(III) Other than the independent operations of affiliated companies, the Company has established procedures for handling transactions with related parties and group enterprises in the "Procedure for Acquisition or Disposal of Assets".
(IV) Has the Company formulated internal regulations to prohibit insiders from trading securities using information not yet published on the market?	V		(IV) The Company has formulated "Management Procedures for Preventing Insider Trading" to prohibit insiders from trading securities using information not yet published on the market?

Assessment items	Operation status		Summary	Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors formulated a diversification policy and specific management objectives and implemented them accordingly?</p> <p>(II) In addition to setting up the Remuneration Committee and the Audit Committee according to law, has the Company voluntarily set up other functional committees?</p> <p>(III) Has the Company formulated the performance evaluation measures and the evaluation method for the board of directors, conducted the performance evaluation annually and regularly, and submitted the results of the performance evaluation to the board meeting and used them for the reference of individual directors' remuneration and nomination for renewal?</p>	V		<p>(I) The Company has established relevant regulations on the composition and diversification of board members in the "Measures for Election of Directors". Board members not only have different nationalities, but also have work experience in different fields, possessing the necessary knowledge, skills and literacy to perform their duties, such as operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, international market perspective, leadership and decision-making. For details, please refer to the attachment and "Board Member Information" on the Company's website.</p> <p>(II) The Company has established the Remuneration Committee and the Audit Committee in accordance with laws and regulations, and will evaluate and establish other functional committees based on the needs of corporate governance and risk management operations.</p> <p>(III) The Company has completed the formulation of the Measures for Performance Evaluation of the Board of Directors, and conducts the annual performance evaluation in late December of each year and submits the evaluation results to the following year's board meeting for reporting. The performance evaluation report for the board of directors for 2022 was completed as required, and submitted to the 12th meeting of the 5th-term board of directors (March 10, 2023). In addition, in accordance with the Measures, an external performance evaluation is conducted on the board of directors every three years, and the Taiwan Corporate Governance Association was commissioned in March 2021 and a report was issued.</p> <p>The Company's procedure for setting remuneration is based on the "Measures for Performance Evaluation of the Board of Directors" which serves as the evaluation basis, and reasonable remuneration is given with reference to the overall operational performance of the Company, the decision-making quality of the board of directors and functional committees, and the evaluation results of the internal control system and individual performance. The reasonableness of the remuneration is carefully reviewed by the Remuneration Committee and the board of directors for a balance between the Company's sustainable operation and risk control management.</p>	Compliant with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company regularly evaluate the independence of	V		(IV) The evaluation of the independence of certifying CPAs is explained as follows:	Compliant with the Corporate Governance Best Practice Principles

Assessment items	Operation status		Summary	Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
its certifying CPAs?			<p>1. The Company regularly (once a year) evaluates the independence of certifying CPAs in accordance with the Corporate Governance Best Practice Principles of the Company, with reference to the quality indicators (AQIs). In accordance with the provisions of the ROC Accounting Professional Ethics Bulletin No. 10 "Integrity, Impartiality, Objectivity and Independence", the Company has formulated an evaluation form and obtained an independence statement and AQI information from the CPA firm. After evaluation, the Ernst&amp;Young CPAs Yu-Ting Huang and Chian-Tse Huang appointed by the Company for 2023 did not violate the provisions of accounting laws and regulations on independence in learning, and their work experience and professional qualifications meet the eligibility requirements.</p> <p>2. The evaluation criteria include the interest relationship between the certifying CPAs and the Company, whether they have a dual standard identity, whether they have served as defenders of the Company's stance, their familiarity with the Company's personnel, whether they have been coerced by the Company, and their years of experience.</p> <p>3. After evaluation by the Audit Committee and board of directors in March 2023, the certifying CPAs appointed by the Company meets the requirements of independence.</p>	for TWSE/TPEX Listed Companies.
IV. For a TWSE/TPEX listed company, has it allocated eligible and an appropriate number of corporate governance personnel, and designated a director of corporate governance to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform business, assisting directors and supervisors in complying with laws and regulations, handling matters related to the board meeting and shareholders' meeting according to law, and preparing minutes of the board meeting and shareholders' meeting, etc.)?	V		<p>Ya-Ling Chang (with more than three years of professional experience in the financial management of public companies), Assistant Vice President of the Company's Administrative Management Group, is responsible for supervising corporate governance affairs, and the Company has designated Finance Department as the responsible unit for corporate governance with currently 10 persons.</p> <p>The key responsibilities of the corporate governance unit are to handle matters related to the Company's board meetings and shareholders' meetings, prepare minutes of the board meetings and shareholders' meetings, provide necessary information for the directors and supervisors to execute business, and handle other corporate governance related affairs.</p> <p>Please refer to the Company's website for detailed information on the execution of corporate governance affairs and the training of corporate governance supervisors for 2022.</p>	Compliant with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder zones on the Company's website, and properly	V		<p>On the Company's website at <a href="http://www.kian-shen.com/">http://www.kian-shen.com/</a>, there is a dedicated area for stakeholders with various contact methods to respond to important corporate social responsibility issues that stakeholders are concerned about.</p>	Compliant with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Operation status		Summary	Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
responded to important corporate social responsibility issues of concern to stakeholders ?				
VI. Has the Company appointed a professional stock affairs agency to handle the affairs of the shareholders' meeting?		V	The Company handles its own stock affairs and respond to shareholder suggestions at any time.	Compliant with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information Disclosure (I) Has the Company set up a website to disclose financial business and corporate governance information? (II) Has the Company adopted other methods of information disclosure (such as setting up an English website, appointing a special person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing on the company website the corporate investor briefing process, etc.)? (III) Has the Company announced and filed its annual financial report within two months after the end of the fiscal year, and announced and filed its first, second, and third quarter financial reports and monthly operating conditions before the prescribed time limit?	V  V		(I) On the Company's website at <a href="http://www.kian-shen.com/">http://www.kian-shen.com/</a> , there is disclosure of financial, business and corporate governance related information. (II) The Company has built a Chinese and English website with the spokesman's contact method on it. At the same time, a dedicated person is designated to collect and disclose company information. The relevant information about corporate investor briefings has also been placed on the Company website for investors to view.  (III) The Company currently files its financial report and monthly operating status on the prescribed date in accordance with the "Business Matters to Be Handled by Listed Securities Issuers".	Compliant with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VIII. Does the Company have other important information that can help to understand the operation of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, directors and supervisors' further study, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors)?	V		Please refer to the note.	Compliant with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
IX. Please explain the situation that has been improved according to the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and propose priority strengthening items and measures for those that have not been improved. The Company's 2022 "Corporate Governance Assessment" result is to be announced during the end of April. Explanations on the items with no score are as follows: (I) Upload of the English version of the annual report before the specified deadline, English version of the meeting manual, and supplementary information, setup of an English-version company website, and disclosure of the complete				



(V) Composition and operation status of Remuneration Committee

1. Information of Remuneration Committee members.

Identity	Requirement Name	Professional qualifications and experience	Status of independence	Number of remuneration committee member positions concurrently holding at other public companies
Independent director (convener)	Wei-Ching Lui	1. Having work experience in board operations, finance and commerce for over five years. 2. For the experience, please refer to Disclosure of Information on Professional Qualifications and Independence of Independent Directors on page 12.	In compliance with independence requirements.	1
Independent director	Te-Chang Yeh	1. Having work experience in board operations and financial investment for over five years. 2. For the experience, please refer to Disclosure of Information on Professional Qualifications and Independence of Independent Directors on page 12.		2
Independent director	Chi-Ching Chen	1. Having work experience in board operations and business management for over five years. 2. For the experience, please refer to Disclosure of Information on Professional Qualifications and Independence of Independent Directors on page 12.		2

2. Operation status of Remuneration Committee.

(1)The Company's Remuneration Committee has three members.

(2)Term of office of current committee members: The term of office of the 5th-term committee members is from July 1, 2022 to June 30, 2025, and in the past year the Remuneration Committee held four meetings (A), with the attendance of the committee members as follows:

Title	Name	Actual attendance number (B)	Entrusted attendance number	Actual attendance rate (%) (B/A)	Remarks
convener	Wei-Ching Lui	4	-	100%	Re-elected on July 1, 2022 and serves as the convener.
Committee member	Te-Chang Yeh	4	-	100%	Re-elected on July 1, 2022
Committee member	Chi-Ching Chen	4	-	100%	Re-elected on July 1, 2022

Other matters to be recorded:

1. If the board meeting does not adopt or amend the suggestions of the Remuneration Committee, state the date of the board meeting, the session, the content of the proposal, the resolution of the board meeting, and the Company's handling of the opinions of the Remuneration Committee (if the remuneration adopted by the board meeting is superior to the suggestions of the Remuneration Committee, state the circumstances and reasons for the differences): No such situation.
2. If the members of the Remuneration Committee disagree or reserve their opinions on the resolutions, and there are records or written statements in place, state the date, session, content of the proposal, opinions of all members, and the handling of the opinions of the members: No such situation.

## (3) Operation status of Remuneration Committee:

Session and term/date	Proposal content
7th meeting of the 4th term 2022.03.14	1. Distribution of directors', supervisors' and employees' remuneration for 2021.
	2. Adjustment to the ceilings of managers' monthly salaries.
	Resolution result: All attending members passed the proposal as it was. The Company's handling of the opinions of the Remuneration Committee: After being submitted to the 17th meeting of the 11th-term board of directors, the proposal was approved by all attending directors as it was.
1st meeting of the 5th term 2022.07.05	1. Election of the Remuneration Committee convener and chairman of the meeting.
	2. Proposal to revise the Company's "Organizational Regulations for Remuneration Committee".
	3. Proposal to revise the principle of directors' remuneration allocation ratio.
	Resolution result: 1. According to the election results of case 1, Wei-Ching Lui was the convener and chairman of the meeting of the 5th-term Remuneration Committee. 2. All attending members passed proposals 2 and 3 as they were. The Company's handling of the opinions of the Remuneration Committee: After being submitted to the first meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.
2nd meeting of the 5th term 2022.12.15	1. Adjustment to managers' salaries for 2022.
	2. Proposal to revise the "Allocation Method for Growth Performance Bonus".
	3. Proposal to set up the 2023 business performance goals.
	Resolution result: 1. All attending members passed proposals 1 and 3 as they were. 2. The name of case 2 is revised to "Measures for Allocation of Management Team's Performance Bonus", and the revised contents of other articles were approved as they were. The Company's handling of the opinions of the Remuneration Committee: After being submitted to the fourth meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.
3rd meeting of the 5th term 2023.03.10	1. Distribution of directors', supervisors' and employees' remuneration for 2022.
	Resolution result: All attending members passed the proposal as it was. The Company's handling of the opinions of the Remuneration Committee: After being submitted to the fifth meeting of the 12th-term board of directors, the proposal was approved by all attending directors as it was.

(VI) Implementation of promoting sustainable development and differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

Promotion item	Implementation status		Summary	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
I. Has the Company established a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is authorized by the board meeting to be handled by senior management and supervised by the board of directors?	V		The Company has established a Sustainable Development Committee and designated the Management Department as the responsible unit for promoting sustainable development. It reports annually to the board meeting on the implementation results of sustainable development. On March 10, 2023, it reported to the board meeting on the implementation status of promoting sustainable development for the year 2022, and also disclosed it on the Company's website. The board meeting listened to the report of the management team and timely guided and urged adjustments.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
II. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and has it formulated relevant risk management policies or strategies?	V		The Company is mainly engaged in the manufacturing and sales of automotive parts, and has not engaged in high-leverage or high-risk investments. It has functional committees (such as the Remuneration Committee and Audit Committee) to inspect and manage relevant risks and response strategies at any time based on the standards that directors and operators should comply with. In addition, each functional unit of the Company conducts detailed risk identification based on division of labor, and has formulated relevant management policies to effectively reduce the risks of the Company's operations, including: 1. Operational Risk Management (1) Implement integrity management policies. (2) Handle liability insurance for directors and important employees. (3) Actively collect laws, policies, and market changes, develop response strategies. (4) Implement corporate governance training, and take preventive measures against the impact and influence of law revisions. 2. Financial Risk Management (1) Integrate the financial control mechanism and tax planning. (2) Regularly implement exchange rate hedging measures. (3) Carefully evaluate market funding conditions and bank interest rates. (4) Strategically evaluate the effectiveness of reinvested companies. 3. Environmental and Climate Risk Management (1) Obtained the ISO-14001:2015 certificate, which is valid from December 29, 2020 to December 28, 2023. (2) Established operating procedures for various emergency response standard to cope with force majeure events. (3) Established disaster prevention and notification mechanisms. 4. Occupational Safety and Health Risk Management (1) Established a dedicated unit to plan and supervise safety and health operations, and continuously improve personnel, equipment and environmental risks. (2) Established a "target improvement plan" and continuously tracks and confirms progress. 5. Information Management Risk (1) Established management measures to protect confidential data and implement confidential data protection. (2) Established an information security manual. (3) Set up an endpoint protection system and conducts strict monitoring networks. (4) Regularly provides training and publicity to employees.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
III. Environmental Issues (I) Has the Company established an appropriate environmental management system according	V		(I) The Company has obtained the ISO-14001:2015 version of the environmental management system certification, and continues the validity of the	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed

Promotion item	Implementation status		Summary	Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
to its industrial characteristics?			<p>certificate.</p> <p>Speak, write and produce consistently for system specifications. Assigned dedicated personnel for waste, air pollution and wastewater, who regularly file discharge volumes.</p> <p>Assignment of dedicated personnel:  Waste: Level B waste treatment technicians.  Air pollution: Dedicated Level B air pollution control personnel.  Wastewater: Dedicated Level A wastewater treatment personnel.  Energy: Energy administrators.</p>	Companies.
(II) Is the Company committed to improving energy efficiency and using renewable materials with low impact on the environment?	V		<p>(II) 1. The Company upholds garbage classification to reduce resource waste, established internal web pages, promotes paperless official documents, reduces paper consumption, adds timers to control the heating time slot of water dispensers' power supply to save energy, and changes the production process to reduce the use of oil and paint.</p> <p>2. Introduced entry of energy-saving equipment, added solar panels, and introduced power monitoring system.</p> <p>3. Regularly files to the Environmental Protection Bureau the emission standards of waste produced, sets environmental, safety and health goals/targets annually for management, and improves equipment.</p> <p>4. Promote equipment improvement, process improvement, and optimization of other ancillary equipment.</p> <p>5. Five major energy-saving improvement projects promoted in 2022:  (1) Adding frequency conversion controllers to the windmills on the electric painting field for energy-saving improvement.  (2) Updating the UF tank in the electric coating field.  (3) Updating the boiler combustion system to improve energy consumption.  (4) Equipping the stamping hydraulic press machine with a frequency conversion energy-saving system.  (5) Replacing the blower of the wastewater treatment plant with a high-efficiency motor for energy-saving improvement.</p> <p>6. In 2022, efforts were made to improve energy efficiency, saving a total of 160,002 kilowatt hours of electricity. Although electricity consumption increased by 72,725 kilowatt hours from that in 2021, or an increase of 1.9%, compared a 17% increase in revenue from that in the previous year, the energy-saving results still showed.</p>	
(III) Does the Company assess the potential risks and opportunities of climate change to the enterprise now and in the future, and take countermeasures for climate related issues?	V		<p>(III) 1. The Company is very concerned about the environmental impact of climate change, and voluntarily discloses carbon emissions through inventory checks. At the same time, an energy conservation group is established, with each department assigning a window to carry out energy conservation statistical analysis, and regular meetings are held every quarter.</p> <p>2. In the annual inventory check of the ISO-14001:2015 environmental management system, energy-saving improvement measures are included in the annual special improvement projects.</p>	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotion item	Implementation status		Summary	Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
(IV) Does the Company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	V		(IV) 1. The Company complies with the government policy to promote the energy-saving and carbon reduction policy, and implements a number of energy-saving and carbon reduction measures. The Company also regularly convenes relevant department heads every month to review and improve the internal environmental KPIs of the factory. 2. The statistics on greenhouse gases, water consumption and waste materials in the past two years are as follows: (1) Greenhouse gas: The Company introduced various energy-saving improvement measures; the emissions in 2021 and 2022 were 3,733 tons and 3,695 tons respectively, a reduction of 1%. (2) Water consumption: The Company continuously measures, monitors and directly operates water resources consumption, and plans to improve the efficiency of water consumption for operations and reduce pollution. The goal is to reduce total water consumption by more than 1% annually from 2021 to 2022. In 2021 and 2022, the water consumption was 19,584 tons and 16,408 tons respectively, a reduction of 16%. (3) Waste: The waste generated by the Company is general production waste, which is disposed of through incineration, physical treatment and recycling according to the "Waste Cleaning Plan". We have signed contracts with qualified vendors and entrusted them with disposal. In 2021 and 2022, the waste disposal volume was 222.9 tons and 188.7 tons respectively, a reduction of 15%.	

Promotion item	Implementation status		Summary	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
IV. Social Issues (I) Has the Company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		(I) The Company complies with labor related laws and regulations, and adheres to internationally recognized human rights norms and principles, including the spirit and basic norms of the United Nations Global Covenant, the United Nations Universal Declaration of Human Rights, and the International Labor Organization Declaration of Fundamental Principles and Rights of Engineering. We protect employees' basic human rights, including freedom of association, collective bargaining rights, caring for disadvantaged groups, prohibiting the use of child labor, eliminating any form of forced labor, and eliminating employment and work discrimination, and do not engage in activities that harm the basic rights of workers. For details, please refer to "Human Rights Policy" on the Company's website.	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits), and appropriately reflected the business performance or results in employee compensation?	V		(II) 1. The Company and its Employee Welfare Committee regularly discuss various employee welfare measures every year, including domestic and foreign tour assistance, language learning subsidies, annual health checks, scholarships and maternity bonuses. 2. The Company has achieved equal pay for the same work and equal promotion opportunities for men and women. The average proportion of female employees in 2022 was 17%, and the average proportion of female supervisors was 13%. 3. The compensation of the Company's employees includes the monthly salary, three festival bonuses, additional annual bonus, management team performance and other incentive bonuses, as well as employees' remuneration that is not less than 0.1% of the "annual pre tax net profit before deduction of employees' remuneration and directors' remuneration" according to the Company's Articles of Association. The amount and distribution method are determined by the board meeting and recognized by the shareholders' meeting, and the amount allocated to each employee is determined by his/her position, contribution and performance. The average employee salary adjustment is disclosed on MOPS. 4. According to the Company's "Business Management Measures", the management team formulates business plans and strategic objectives, tracks the progress of execution and corrects the plan every quarter, conducts employee evaluation every six months, and reflects the results of the stage at the right time. Rewards are given through the "Promotion Management Measures" and "Incentive Management Measures". For details, please refer to "Employee Benefits" on the Company's website.	
(III) Does the Company provide a safe and healthy working environment for employees, and conduct regular safety and health education for employees?	V		(III) Introduction of ISO-45001: The Company obtained in 2018 the Occupational Safety and Health Management Certification, which is valid from December 6, 2020 to December 5, 2023. 1. On September 5, 2022, the Company conducted a general health examination for 281 employees, and a lung function and hearing examination for 276 employees in special operations with dust and noise. 2. The Company conducts the environmental measurement and inspection twice a year (in	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promotion item	Implementation status		Summary	Differences form the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons															
	Yes	No																	
(IV) Has the Company established an effective career development training program for employees?	V		<p>January and July). The inspection items include noises, organic solvents and lighting inspections, and the results comply with regulations.</p> <p>3. The Company regularly holds health promotion lectures, and posts safety, hygiene, and health slogans and publicity materials.</p> <p>4. The factory has established a "Safety and Sensory Training Hall", which aims to present high-risk machinery in a reduced size for safety and health training to new employees, in-service employees and contractors, in order to provide a safe and comfortable workplace.</p> <p>5. In order to comply with the labor health protection rules and Personal Data Protection Act, the Company has conducted a comprehensive survey of individual wishes as the basis for implementation, which is superior to the health examination requirement by the laws and regulations.</p> <p>6. Personal health care and consultation is arranged from time to time, and health education is provided during the monthly doctor visit to the factory.</p> <p>7. Occupational disasters in 2022:</p> <table border="1"> <thead> <tr> <th>Content</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Employee disability injury frequency (FR)</td> <td>1.5</td> <td>None.</td> </tr> <tr> <td>Number of employee commuting disability cases</td> <td>2 (victims)</td> <td>None.</td> </tr> <tr> <td>Disability injury frequency of third-party manufacturers (FR)</td> <td>None.</td> <td>None.</td> </tr> <tr> <td>Major occupational disasters</td> <td>None.</td> <td>None.</td> </tr> </tbody> </table> <p>After review, the Company has taken practical actions to reduce the occurrence rate of disasters:</p> <p>(1) Publicity of prohibited behavior.  (2) Automatic check for the implementation status.  (3) 4RKY hazard prediction activity.  (4) Monthly safety inspections and irregular audits.  (5) Safety related activities and competitions.</p> <p>(IV) The Company's Management Department is responsible for planning and implementing training, including pre employment training, on-the-job training, multifunctional training, and further study courses in English and Japanese, and appropriate employees are designated to participate in various professional skills courses. The training cost totaled NTS404,000 in 2022, for a total of 6,893 hours.</p>	Content	2021	2022	Employee disability injury frequency (FR)	1.5	None.	Number of employee commuting disability cases	2 (victims)	None.	Disability injury frequency of third-party manufacturers (FR)	None.	None.	Major occupational disasters	None.	None.	
Content	2021	2022																	
Employee disability injury frequency (FR)	1.5	None.																	
Number of employee commuting disability cases	2 (victims)	None.																	
Disability injury frequency of third-party manufacturers (FR)	None.	None.																	
Major occupational disasters	None.	None.																	
(V) Does the Company comply with relevant laws and regulations and international standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and has it formulated relevant policies and complaint procedures to protect the rights and interests of consumers or customers?	V		<p>(V) 1. The Company has formulated relevant measures as follows to gain customers' trust and satisfaction with its products:</p> <p>(1) "Customer Service Measures"  (2) The "Customer Complaint Handling Measures" requires that after the product is sold, the Company continues providing services to customers, meet their needs, and safeguard the rights of consumers and stakeholders.</p> <p>2. The products produced by the Company comply with the regulations and the requirements of the central factory, and the production is carried out in accordance with the standards of the international quality system ISO/IATF16949.</p>	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.															
(VI) Has the Company formulated a supplier management policy	V		<p>(VI) 1. The Company operates in accordance with the provisions of ISO-14001:2015 and requires suppliers</p>																

Promotion item	Implementation status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
that requires suppliers to comply with relevant specifications on issues, such as environmental protection, occupational safety and health or labor human rights, and the implementation status?			<p>to avoid, reduce, or control the generation and discharge of any form of pollutants or waste.</p> <p>2. In addition to requiring suppliers' environmental regulations to comply with laws and regulations, the Company conducts occasional visits and holds symposiums to increase the understanding of and assistance to stakeholders.</p> <p>3. The Company provides safety related guidance to suppliers.</p> <p>4. The Company adopts a one-year contract system for suppliers, and the contents already include the supplier's compliance with terms such as quality, technology, safety and health. If the terms are violated or illegal behavior occurs, the cooperative relationship of the contract can be terminated at any time.</p> <p>5. Other matters may be corrected, communicated and coordinated depending on the severity of the situation.</p> <p>6. The hazard notification courses for suppliers and contractors in 2022 totaled 150 hours.</p>	
V. Has the Company prepared the sustainability report or guidelines that disclose non-financial information of the company by reference to internationally accepted reporting standards or guidelines? Has the aforementioned report obtained the assurance or guarantee opinion of a third-party certification organization?	V		<p>The Sustainable Development Report prepared by the Company:</p> <p>1. The Report is prepared in accordance with international reference guidelines such as GRI 101: Basic 2016, GRI 303 Water and Drainage: 2018, GRI 403 Occupational Safety and Health: 2018, 2019 GRI 207, GRI 306, etc. The content of the Sustainable Development Report also discloses non-financial information of the Company for the public and stakeholders to understand.</p> <p>2. At present, there is no affirmation by a third-party notary agency, and a review will be conducted to obtain it based on the situation in the future.</p>	Compliant with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
<p>VII. If the Company has its own Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between their operations:</p> <p>The Company has formulated its Sustainable Development Best Practice Principles according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", established a complete internal control system, and disclosed the annual implementation of its Sustainable Development Best Practice Principles and Sustainable Development Report on the Company's website. All operations are in accordance with legal norms and there are no discrepancies.</p>				
<p>VIII. Other important information that facilitates the understanding of the implementation of sustainable development:</p> <p>The full-time units of the Company include "Corporate Governance", "Environmental Sustainability Development", "Stakeholder Care", and "Labor Workers' Rights and Social Care" groups, with the Finance Department, Management Department, Business Department, and Manufacturing Department serving as the main responsible departments of each group. The implementation is explained as follows:</p> <p>1. Corporate governance: ESG Report is prepared voluntarily, and the 9th term of corporate governance assessment ranking, the Company is at the top 21%~35%. The 10 term of corporate governance assessment ranking result is to be announced during the end of April.</p> <p>2. Environmental sustainability: Actively promoting energy-saving and carbon reduction measures, carrying out improvement projects such as adding variable frequency controllers for electric painting field windmills, updating UF tanks of the electric painting field, updating the boiler combustion system, introducing variable frequency energy-saving systems for stamping and oil press machines, replacing blast fans in wastewater treatment fields with high-efficiency motors, improving biological filter materials in wastewater treatment fields, adding smoke exhaust facilities for bus shell production lines, evaluating and replacing energy consumption equipment and devices every year, installing solar panels in the factory for self-generated power, and eliminating old diesel stackers and introducing environment-friendly electric stackers, in order to reduce carbon emissions and fulfill the environmental responsibility of the enterprises.</p> <p>3. Stakeholder care: Arranging monthly visits to the leaders of the community (Hsiutsai Village and Taiping Village) to understand the needs of stakeholders and provide assistance.</p> <p>4. Community participation: Cooperating with neighboring areas in cleaning the environment, and organizing sport walking on the Hsiutsai mountain hiking trail to clean the mountain and reduce environmental pollution.</p> <p>5. Social welfare: Continuously participating in social welfare activities, and participating in the "Yangming Mountain Removing</p>				

Promotion item	Implementation status		Differences form the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	
<p>Exotic Plants Activity”. Purchasing lunch boxes from restaurants of mentally disadvantaged and products from public welfare groups as gifts, with a total purchase amount of NT\$50,000 in 2022.</p> <p>6. Industry-academia cooperation: To fulfill the corporate social responsibility, the Company provides students with practical work experience in pre-employment related industries through industry-academia cooperation, so that students can complete their studies more smoothly; at the same time, we aim to enhance the core technology of the enterprise and reserve talents. Currently, there are cooperative schools such as Dongtai Senior High School, Chung Yuan Christian University and Ming Chi University of Technology. In the future, more cooperative schools will be developed based on the characteristics and business needs of the Company.</p> <p>7. Social service: Participating in police friend association activities to strengthen good local interactive relationships.</p> <p>8. Human rights: Setting up dedicated parking lots for pregnant women, providing maternity gifts, nursing rooms, health counseling for postpartum mothers, and twice-a-week counseling and care sessions for foreign (Thailand/Indonesia) employees to collect opinions and actively improve their lives and work, as well as improving the living environment and quality of life for foreign employees to provide them with good living conditions.</p> <p>9. Health promotion: Taking care of the health and safety of employees, hiring a "Chang Gung Hospital specialist doctor" every month to conduct a safety audit within the factory area, and provide personal medical consultation for employees to achieve the goal of a friendly and safe workplace; organizing various health related lectures and health promotion activities, with a total reward amount of NT\$39,000 granted.</p> <p>10. Safety: Implementing the fire prevention plan and automatic inspection plan, arranging for in-service personnel to complete at least 3 hours of training within 3 years, and holding safety related lectures for suppliers and contracted businesses, with a total of 150 hours in 2022.</p> <p>11. Fire prevention: The fire alarm system is installed for the entire factory and is connecting to the security room to timely monitor the situation in the plant. At the same time, the factory is equipped with monitoring systems for important equipment and safety entrances and exits, with network connection to keep track of information at any time.</p> <p>12. Hygiene: In order to take care of the health of employees and the happiness of their families, the Company arranges regular employee health checks every year, and the most recent one was held on September 5, 2022, with a general health examination for 281 employees, and a lung function and hearing examination for 276 employees in special operations with dusts and noises; the results are also tracked and managed.</p> <p>13. "Zero" disasters in the workplace and participated in the filing activity of no disasters in the central factory.</p> <p>14. Handled relevant training and measure revisions according to the regulations of the central competent authority, and posted legal regulations on the Company's website for inquiry.</p>			

(VII) Performance of ethical corporate management, and differences form the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Item	Operation status		Summary	Differences form the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
I. Establishment of ethical corporate management policy and plan				Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(I) Has the Company formulated an ethical corporate management policy approved by the board meeting, and clearly stated the policies and practices of ethical corporate management in rules and external documents, as well as the commitment of the board of directors and senior management to actively implement the operation policy?	V		(I) The Company has established organizational charts and responsibility regulations (HR-B-007) for each department in accordance with the Company's organizational structure, and adheres to the business philosophy of "integrity, transparency and responsibility" and consistent ethical standards in all business activities. The Company has formulated an "Ethical Corporate Management Best Practice Principles" approved by the board of directors, and strictly requires each employee to comply with the ethical corporate management policy and method in accordance with the requirements in the "Work Rules". The board members and the management have signed three code statements, namely the Corporate Governance Best Practice Principles, the Sustainable Development Best Practice Principles and the Ethical Corporate Management Best Practice Principles, and promise to actively implement them. An explanation is provided in the annual report and the Sustainable Development Report.	
(II) Has the company established a risk assessment mechanism for unethical behavior, regularly analyzed and assessed business activities within its business scope that have a high risk of unethical behavior, and formulated a plan to prevent unethical behavior that at least covers the preventive measures for acts under paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) The Company adheres to the principle of ethical corporate management and conducts business activities in a fair and transparent manner. In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", the Company has established the "Ethical Corporate Management Best Practice Principles" (AU-E-004-03) related procedures and behavior guidelines, and regularly evaluates and audits the risks of unethical behavior in business activities. In addition, in accordance with paragraph 1, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", it is clearly stipulated that unethical behaviors such as accepting bribes or other improper benefits in the position are not allowed. It is also clearly stipulated in the "Work Rules" of the Company that any unethical behavior will be punished. The Company has an appeal and whistleblowing system, and the whistleblowing channel information is disclosed on the company website.	
(III) Has the company specified operating procedures, conduct guidelines, disciplinary and appeal systems for violations in the unethical behavior prevention plan, implemented them, and regularly reviewed and amended the disclosure plan?	V		(III) To ensure that the Company's behavior complies with legal norms and ethical standards, the "Work Rules" of the Company clearly stipulate that any unethical behavior will be penalized and punished. For any unethical behavior, the Company has an appeal and whistleblowing system, and the whistleblowing channel information is disclosed on the company website. For any behavior that is suspected of violating professional ethics, the Company treats it with the most serious attitude and takes strict disciplinary measures against violators in all confirmed cases based on the Company's employee reward and punishment and appeal measures, or terminates employment or business relations and takes appropriate legal action. Regarding the provision of prohibiting illegal political	

Item	Operation status		Summary	Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
			donations and prohibiting inappropriate charitable donations or sponsorships, the Company has formulated and implemented the "Donation and Sponsorship Measures" to ensure compliance with laws and regulations and the implementation of the internal control system.	
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Does the Company evaluate the ethical corporate management record of its counterparties, and specify the terms of ethical behavior in the contracts signed with its counterparties?</p> <p>(II) Has the Company set up a dedicated unit subordinate to the board of directors to promote the ethical corporate management of enterprises, and regularly (at least once a year) report to the board of directors its ethical corporate management policy and plan to prevent unethical behavior, as well as the implementation of supervision?</p> <p>(III) Has the Company develop a conflict of interest prevention policy, provided appropriate presentation channels, and implemented them?</p> <p>(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical operation, and has the internal audit unit formulated relevant audit plans based on the assessment results of unethical behavior risks, and audited the compliance with the unethical behavior prevention plan, or entrusted CPAs to perform the audit?</p>	V	V	<p>(I) The Company conducts a annual evaluation of customers, suppliers, and business partners to prevent unethical behavior. The Company also signs transaction contracts with interested parties (such as suppliers, contractors and other collaborators) who have any business dealings with the Company, If the transaction counterparty is involved in unethical behavior, the Company may terminate or rescind the terms of the contract.</p> <p>(II) The Company has designated the Management Department as the dedicated unit to promote, communicate, and execute the Company's ethical corporate management; moreover, it checks whether the Company's business-related trading violates the ethical corporate management principle through various internal and external audits, and regularly reports the execution status to the board of directors. The implementation status of ethical corporate management in 2022 was reported to the board meeting on March 10, 2023. Whether the Company violates ethical corporate management is also regularly reported to the board meeting.</p> <p>(III) The Company has clearly stipulated in the "Work Rules" that an employee may be expelled if he engages in work that conflicts with the Company's interests without the Company's approval and damages the rights and interests of the Company, and the circumstances are serious. The Company has also set up an internal opinion box and whistleblowing line to accept whistleblowing cases, and keeps the identity of the whistleblower and the content confidential.</p> <p>(IV) The Company has established effective accounting and internal control systems, and the Audit Office conducts audits on the internal control system and external activities based on the risk assessment results of unethical behavior in conjunction with the annual audit plan, and reports the audit results and improvement status to the board of directors.</p>	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Operation status		Summary	Differences form the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
(V) Does the company regularly hold internal and external training on ethical corporate management?	V		(V) In order to promote and advocate ethical behavior, the Company has uploaded the procedures and behavior guidelines related to the "Ethical Corporate Management Best Practice Principles" on the Company's internal website for employees to download and implement. The company provides guidance on ethical behavior and work rules for new employees to enable them to understand ethical behavior and relevant punishments. In addition, stakeholders (such as suppliers and contractors) who have business dealings with the Company are informed to comply with the Company's ethical standards during the annual cooperation meeting or during daily transactions. Implementation status of 2022: 143 people received training on ethical corporate management and the whistleblowing system for new employees, and 42 man hours of internal control training for financial and auditing personnel; the introduction of the computer information security ISO system and the scanning operation of information system weaknesses was activated twice, the information security drill was conducted once, and the publicity of information intellectual property rights and laws were conducted.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
III. Operation of the Company's Whistleblower System				
(I) Has the Company established a specific whistleblower and reward system, established a convenient channel for whistleblowing, and assigned appropriate personnel to handle complaints?	V		(I) In order to implement the ethical corporate management policy and actively prevent unethical behavior, the Company has established a "whistleblower system", which clearly stipulates the reporting channels for violations of ethical corporate management regulations. The head of the Company's Management Department is the dedicated person responsible for accepting reported cases.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established standard operating procedures for the investigation of matters reported, follow-up measures to be taken after the investigation, and relevant confidentiality mechanisms?	V		(II) The Company's "whistleblower system" has clearly stipulated the procedures and confidentiality mechanism for accepting accusations and investigations. The accusations received and subsequent investigations are processed with a confidential and rigorous attitude, and the procedures are clearly defined in internal regulations.	
(III) Does the Company take measures to protect the whistleblower from improper handling due to the whistleblowing?	V		(III) The Company shall declare in writing (in a confidentiality agreement) that for the handling of personnel involved in the reported case, it shall keep confidential the whistleblower's identity and the contents of the report, and promise to protect the whistleblower from improper treatment due to the reported matter.	
IV. Strengthening of Information Disclosure Does the Company disclose the content of its Ethical Corporate Management Best	V		The Company has disclosed the content of its "Ethical Corporate Management Best Practice Principles" on its website and MOPS, and has also disclosed on its website the performance of ethical corporate management best practice principles and measures taken in 2022.	Compliant with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Operation status		Summary	Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No		
Practice Principles and the effectiveness of promotion on its website and MOPS?				
V.	<p>If the Company has its own Ethical Corporate Management Best Practice Principles in compliance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the differences between their operations:  The Company has established its Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” in June 2014, and the revision was approved by the board meeting in May 2022. The actual operation is in line with legal regulations.</p>			
VI.	<p>Other important information that will facilitate the understanding of the Company's ethical corporate management (such as the Company's review and revision of its Ethical Corporate Management Best Practice Principles):  The Company discloses its Ethical Corporate Management Best Practice Principles in its internal regulations, annual reports, and company websites, enabling suppliers, customers, shareholders, and other relevant institutions and personnel to have a clear understanding of the Company's ethical corporate management philosophy and standards.</p>			

(VIII) If the Company has adopted a corporate governance best practice principles and related regulations, disclose its inquiry methods:

Please inquire on the Corporate Governance Section of the Market Observation Post System and the Company’s website (<http://www.kian-shen.com>).

(IX) Please also disclose other important information which may enhance the understanding of the Company’s corporate governance operation:

Please inquire on the Corporate Governance Section of the Market Observation Post System and the Company’s website (<http://www.kian-shen.com>).

(X) Implementation of the internal control system

1. Internal Control Declaration

Kian Shen Corporation

Declaration on Internal Control System

Date: March 10, 2023

Based on the results of self-assessment, the Company's internal control system for 2022 is hereby declared as follows:

- I. The Company knows that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of the Company, and the Company has already established this system. Its purpose is to provide reasonable assurance for the achievement of the objectives of operational effectiveness and efficiency (including profitability, performance and asset security), reliability, timeliness, transparency of reporting, and compliance with relevant norms and relevant laws and regulations.
- II. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the three objectives above. Moreover, due to changes in environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self supervision mechanism, and once deficiencies are identified, the Company will take corrective action immediately.
- III. The Company judges whether the design and implementation of the internal control system is effective in accordance with the judgment items of the effectiveness of the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The judgment items of the internal control system adopted in the Regulations are to divide the internal control system into five components according to the process of management control: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each component element includes several items. For the items above, please refer to the provisions of the "Regulations".
- IV. The Company has adopted the internal control system judgment items above to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results referred to in the preceding paragraph, the Company believes that the design and implementation of the internal control system as of December 31, 2022 (including supervision and management of subsidiaries), including the understanding of the effectiveness of operations and the extent to which efficiency goals have been achieved, the reliability, timeliness, transparency of reporting, and the compliance with relevant norms and relevant laws and regulations, as well as the compliance with relevant internal control systems, are effective and can reasonably ensure the achievement of the goals above.
- VI. This Declaration will become the main content of the Company's annual report and prospectus, and will be made public. If there are false, hidden and other illegal circumstances in the disclosure above, the legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be involved.
- VII. This Declaration was approved by the Board of Directors of the Company on March 10, 2023, and all the ten directors present agreed to the content of this Declaration.

Kian Shen Corporation

Chairman: Chao-Wen Chen

signature and seal



President: Chiung-Chih Tseng

signature and seal



2. CPA's audit report on the internal control system via a special project: None.

(1) Where the Company and its internal personnel have been punished in accordance with the law in 2022 and up to March 30, 2023, or the Company has imposed penalties on its internal personnel for violating the provisions of the internal control system, major deficiencies and improvements shall be listed: None.

(2) Important resolutions of the shareholders' meeting and board meetings in 2022 and up to March 30, 2023:

Type	Date	Important resolutions	Implementation status
Shareholders' meeting	2022.06.21	1. Recognition of the Company's 2021 books and accounts.	Already announced and filed according to regulations.
		2. Recognition of the Company's 2021 earnings distribution.	August 5, 2022 was set as the ex-date for cash dividend. August 26, 2022 was set as the distribution date. (cash dividend of NT\$2.1/share)
		3. Approval of amendment to the Company's "Articles of Association".	Already announced on the Company's website, and handled in accordance with the revised procedures.
		4. Approval of amendment to the Company's "Rules of Procedures for Shareholder Meetings".	Already announced on the Company's website, and handled in accordance with the revised procedures.
		5. Approval of amendment to the Company's "Procedures for Acquisition or Disposal of Assets".	Already announced on the Company's website, and handled in accordance with the revised procedures.
		6. Approval of amendment to the Company's "Procedures for Derivative Trading".	Already announced on the Company's website, and handled in accordance with the revised procedures.
		7. Approval of amendment to the Company's "Procedures for Loans to Others".	Already announced on the Company's website, and handled in accordance with the revised procedures.
		8. Approval of amendment to the Company's "Procedures for Endorsements and Guarantees".	Already announced on the Company's website, and handled in accordance with the revised procedures.
		9. Election of the Company's 12th term of directors. List of elected directors: representatives of China Motor Corporation: Chao-Wen Chen and Chung-Chih Tseng; representatives of Kouzui Motors Ltd.: Wen-Chih Chien, Kun-Sheng Lan and Naoki Kobayashi; representatives of Yulon-Administered Enterprises Co., Ltd.: Hsin-Cheng Tseng and Hung-Ching Yang. List of elected independent directors: Chi-Ching Chen, Wei-Ching Lui and Te-Chang Yeh.	Approved for registration by the Ministry of Economic Affairs on July 22, 2022 and was announced on the company website.
		10. Approval of lifting the non-competition restriction on directors under Article 209 of the Company Act.	Already filed for material information according to regulations.

Board of directors	Proposal content and subsequent handling	Securities and Exchange Act §14-3 Matters listed	Independent directors' objections or reservations
17th meeting of the 11th term 2022.03.14	1. 2021 individual and consolidated financial statements of the Company.	-	-
	2. 2021 earnings distribution proposal.	√	-
	3. The remuneration distribution plan for directors, supervisors and employees for 2021 reviewed by the Company's Remuneration Committee.	√	-
	4. Proposal to issue the Company's "Declaration on Internal Control System" for 2021.	√	-
	5. Date and place of 2022 general shareholders' meeting.	√	-
	6. Evaluation of independence and eligibility of certifying CPAs for 2022.	-	-
	7. Proposal to lift the non-competition restriction on the Company's new directors.	-	-
	8. Proposal to revise the Company's "Articles of Association".	-	-
	9. Proposal to re-elect directors and independent directors of the Company at the	-	-

Board of directors	Proposal content and subsequent handling	Securities and Exchange Act §14-3 Matters listed	Independent directors' objections or reservations
	2022 general shareholders' meeting. 10. Proposal to allow the new directors to engage in competitive business activities.	-	-
	Independent directors' opinions: None. The Company's handling of independent directors' opinions: None. Resolution result: All attending members passed the proposal as it was.		
18th meeting of the 11th term 2022.05.09	1. Review of the list of candidates nominated for the re-election of directors and independent directors at the 2022 general shareholders' meeting.	-	-
	2. Bank credit line renewal.	-	-
	3. Financing-nature commercial promissory note renewal.	-	-
	4. Additional capital expenditure budget.	-	-
	5. Greenhouse gas inventory and verification schedule planning	-	-
	6. Revision of the Company's relevant procedures to be in line with the establishment of an audit committee in 2022 to replace supervisors.	V	-
	7. Proposal to revise the Company's "Internal Control System".	V	-
	8. Proposal to revise the Company's "Corporate Social Responsibility Code".	-	-
	9. Proposal to revise the Company's "Rules of Procedures for Shareholders' Meetings".	-	-
	10. Proposal to establish the "Organizational Regulations for the Audit Committee" of the Company.	-	-
	Independent directors' opinions: 1. Case 5 states that the planned timeline for the three items, and the greenhouse gas inventory is expected to complete by October 2026. The time should be sufficient, and it is recommended to reschedule October 2028 to be the "completion" time of the external verification. 2. The amended Article 10 of the revised provision of the Corporate Governance Best Practice Principles in case 6 stipulates that insiders of the Company shall not trade the Company's shares during the closed period prior to the announcement of the financial report; this should be clearly stated in the insider regulations. It is recommended to add this provision to the "Management Procedures for Preventing Insider Trading", and report it in the next board meeting. Additionally, the Corporate Governance Director is requested to notify and remind insiders via email before the closed period of transaction restrictions. The Company's handling of independent directors' opinions: 1. The external verification schedule will be revised based on the opinions of independent directors. 2. This article will be added to the "Management Procedures for Preventing Insider Trading" according to the opinions of independent directors, and submitted to the next board meeting. Additionally, the Corporate Governance Director is requested to notify and remind insiders via email before the closed period of transaction restrictions. Resolution result: All attending members passed the proposal as it was.		
1st meeting of the 12th term 2022.07.05	1. Election of the 12th-term Chairman of the Company.	-	-
	2. Appointment of members of the 5th-term Remuneration Committee of the Company.	-	-
	3. Ex-date for cash dividend distribution of 2021 earnings.	V	-
	4. Technical cooperation renewal.	-	-
	5. Proposal to revise the Company's "Internal Control System of Stock Affairs Units".	V	-
	6. Proposal to revise the Company's "Management Procedures for Preventing Internal Transactions".	-	-
	7. Appointment of the Company's managerial officers.	-	-
	Independent directors' opinions: None. The Company's handling of independent directors' opinions: None. Resolution result: All attending members passed the proposal as it was.		
2nd meeting of the 12th term 2022.08.01	1. Consolidated financial statements for the first half of 2022.	-	-
	2. Proposal to revise the Company's "Organizational Regulations for Remuneration Committee".	-	-
	3. Proposal to revise the Company's "Internal Audit Implementation Rules".	V	-
	Independent directors' opinions: None. The Company's handling of independent directors' opinions: None. Resolution result: All attending members passed the proposal as it was.		
3rd meeting	1. Consolidated financial statements for the first three quarters of 2022.	-	-

Board of directors	Proposal content and subsequent handling	Securities and Exchange Act §14-3 Matters listed	Independent directors' objections or reservations
of the 12th term 2022.11.07	2. Proposal to revise the Company's "Internal Control System" and "Internal Audit Implementation Rules".	√	-
	3. Proposal to revise the Company's "Rules of Procedures for Board Meetings".	-	-
	4. Proposal to revise the "Risk Management Policies and Procedures".	-	-
	5. Proposal to revise the "Process Management Measures for Accounting Professional Judgment Procedures, Accounting Policies and Estimation Changes".	-	-
	6. Appointment of the Company's managers.	-	-
	Independent directors' opinions: None. The Company's handling of independent directors' opinions: None. Resolution result: All attending members passed the proposal as it was.		
4th meeting of the 12th term 2022.12.15	1. Financial forecast and capital expenditure budget for 2023.	-	-
	2. Formulation of the 2023 audit plan.	-	-
	3. Proposal to revise the "Material Internal Information Processing Procedure".	-	-
	4. Remuneration of certifying CPAs for 2022.	√	-
	5. Change of certifying CPA firm.	√	-
Independent directors' opinions: The "Certifying CPAs' remuneration" is recommended to be discussed by the board meeting in the first half of the year. The Company's handling of independent directors' opinions: The "Certifying CPAs' remuneration" will be discussed by the board meeting in the first half of the year based on the opinions of independent directors. Resolution result: All attending members passed the proposal as it was.			
5th meeting of the 12th term 2023.03.10	1. 2022 individual and consolidated financial statements.	-	-
	2. 2022 earnings distribution proposal.	√	-
	3. The remuneration distribution plan for directors and employees for 2022 reviewed by the Company's Remuneration Committee.	√	-
	4. Proposal to issue the Company's 2022 "Declaration on Internal Control System".	√	-
	5. Date and place of 2023 general shareholders' meeting.	√	-
	6. Appointment, remuneration and independence of the Company's certifying CPAs for 2023.	√	-
	7. Proposal to revise the Company's "Internal Control System" and "Internal Audit Implementation Rules".	√	-
	8. Proposal to revise the Company's "Sustainable Development Best Practice Principles".	-	-
	9. Proposal to revise the Company's "Corporate Governance Best Practice Principles".	-	-
Independent directors' opinions: None. The Company's handling of independent directors' opinions: None. Resolution result: All attending members passed the proposal as it was.			

- (3) In 2022 and up to March 30, 2023, the different opinions of directors or supervisors on important resolutions passed by the board meeting, with records or written statements in place: None.
- (4) In 2022 and up to March 30, 2023, the resignation or dismissal of the chairman, president, accounting director, financial director, internal audit director, corporate governance director or R&D director of the Company: None.

#### IV. Certifying CPAs' Fees:

						Amount: NT\$ thousand
CPA firm name	CPA's name	CPA audit period	Audit fee	Non-audit fee	Total	Remarks
Deloitte Taiwan	Lilac Shue and Aaron Yang	202201~202212	4,600	505	5,105	Non-audit fees: tax certification, direct deduction method, full-time employee salary checklist, transfer pricing report, and annual report review.
Ernst Young	Yu-Ting Huang and Chien-Tse Huang	202301-202312	3,650	400	4,050	

- (I) If the CPA firm is replaced and the audit fees paid in the year of replacement are less than those paid in the year prior to the replacement, the amounts of audit fees before and after the replacement and the reasons thereof shall be disclosed: The change of CPA firm is to meet the Company's operational development and internal management needs.
- (II) If the audit fees have decreased by more than 10% compared to that in the previous year, the amount, proportion, and reason for the decrease: In 2023, the audit fee decreased by NT\$950 thousand from that in 2022, a decrease of 21%, which was due to the replacement of a CPA firm.

#### V. Information on replacement of CPA

##### (I) About the previous CPAs

Date of change	First quarter of 2023.		
Reason for the change and explanation.	Considering the operational and management needs of the Company, in order to improve the smoothness and efficiency of the audit on reinvested companies and provide timely and complete consultation and advice on the operational level, from the first quarter of 2023, CPAs Lilac Shue and Aaron Yang of Deloitte Taiwan will be changed to CPAs Yu-Ting Huang and Chien-Tse Huang of Ernst & Young as the successors.		
Explain whether it is the appointer or the CPA that terminates or is unwilling to accept the appointment	Counterparty	CPAs	Appointer
	Situation		
	Proactive termination of appointment	(note applicable)	V
	Not accepting the (continued) appointment	(note applicable)	(note applicable)
Reasons for issuing audit reports with opinions other than unqualified opinions within the past two years	None.		
Any different opinions from the issuer	Yes.	—	Accounting principle or practice
		—	Disclosures in the financial report
		—	Audit scope or procedures
		—	Others
	None.		V
	Explanation		—
Other disclosures (disclosures required according to subparagraphs 1-4 to 1-7, paragraph 6, Article 10 of the regulations)	None.		

##### (II) About the succeeding CPAs

CPA firm name	Ernst Young
CPA's name	CPAs Yu-Ting Huang and Chien-Tse Huang
Date of appointment	First quarter of 2023.
Prior to appointment, the accounting treatment methods or principles for specific transactions, as well as the consultation matters and results on the opinions that may be issued in the financial report	Not applicable.
Different opinions of the succeeding CPAs in writing from those of the former CPAs	Not applicable.

- (III) Response letter from the former CPAs regarding the matters in subparagraphs 1 and 2-3, paragraph 6, Article 10 of the regulations: Not applicable.

**VI. The chairman, president or manager in charge of financial or accounting affairs of the Company who has served in the CPA firm or its affiliated enterprises within the most recent year: None.**

**VII. Transfer of shares and changes in pledge of shares by directors, managers, and shareholders with shareholding of more than 10 percent**

(I) Transfer of shares by directors, managers, and shareholders with shareholding of more than 10 percent

Unit: share

Title	Name	2022		Up to April 17 for 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	Chao-Wen Chen	—	None.	—	None.
Major shareholder	China Motor Corporation	—	None.	—	None.
Director	Chiung-Chih Tseng	—	None.	—	None.
Major shareholder	Kouzui Motors Ltd.	—	None.	—	None.
Director	Wen-Chih Chien	—	None.	—	None.
Director	Kun-Sheng Lan	—	None.	—	None.
Director	Naoki Kobayashi	—	None.	—	None.
Director	Takayuki Ogano (note 1)	—	None.	—	None.
Director	Yulon-Administered Enterprises Co., Ltd.	—	None.	—	None.
Director	Hung-Ching Yang	—	None.	—	None.
Director	Hsin-Cheng Tseng	—	None.	—	None.
Supervisor	Weitai Investment Co., Ltd. (Note 2)	—	None.	—	None.
Supervisor	Yuan-Long Chen (note 2)	—	None.	—	None.
Supervisor	Ching-Wu Chien (note 2)	—	None.	—	None.
Independent director	Te-Chang Yeh	—	None.	—	None.
Independent director	Wei-Ching Lui	—	None.	—	None.
Independent director	Chi-Ching Chen (note 3)	—	None.	—	None.
Manager	Chiung-Chih Tseng	—	None.	—	None.
Manager	Chen-Ching Sung	—	None.	—	None.
Manager	Der-Hsiang Yu	—	None.	—	None.
Manager	Cheng-Yi Weng	—	None.	—	None.
Manager	Ya-Ling Chang	—	None.	—	None.
Manager	Yi-Wen Liao (note 4)	—	None.	—	None.
Manager	Chen-Kui Chen (note 5)	—	None.	—	None.
Manager	Yu-Cheng Huang (note 6)	12,000	None.	12,000	None.

Note 1: Takayuki Ogano was discharged from the position of representative of Kouzui Motors Ltd. on February 1, 2022.

Note 2: Yuan-Long Chen and Ching-Wu Chien, representatives of Weitai Investment Co., Ltd., were dismissed from their supervisor positions on July 1, 2022.

Note 3: Chi-Ching Chen assumed the position as independent director on July 1, 2022.

Note 4: Yi-Wen Liao assumed the position as assistant vice president on January 1, 2022.

Note 5: Chen-Kui Chen assumed the position as assistant vice president on July 1, 2022.

Note 6: Yu-Cheng Huang assumed the position as assistant vice president on December 1, 2022.

(II) The counterparties of transfer of shares by directors, managers, and shareholders with shareholding of more than 10 percent are related parties: None.

(III) The counterparties of share pledge by directors, managers, and shareholders with shareholding of more than 10 percent are related parties: None.

## VIII. Information on Relationship Among Shareholders of Top 10 Highest Shareholder Percentages

April 17, 2023

Name (Note 1)	Shareholding of the individual		Shareholdings of spouse and minor children		Total shareholding by nominee arrangement		Information on the relations among the top 10 major shareholders if anyone is a related party, a spouse, or a relative within second degree of kinship of another and their names. (Note 3)		Remarks
	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %	Company name (or individual name)	Relationship	
China Motor Corporation	32,201,367	43.87	—	—	—	—	—	—	
Chao-Wen Chen	—	—	—	—	—	—	—	—	Representative of China Motor Corporation
Chiung-Chih Tseng	—	—	—	—	—	—	—	—	Representative of China Motor Corporation
Kouzui Motors Ltd.	24,178,711	32.94	—	—	—	—	—	—	
Kun-Sheng Lan	—	—	—	—	—	—	—	—	Representative of Kouzui Motors Ltd.
Wen-Chih Chien	—	—	—	—	—	—	—	—	Representative of Kouzui Motors Ltd.
Naoki Kobayashi	—	—	—	—	—	—	—	—	Representative of Kouzui Motors Ltd.
Mu-Shan Chiang	2,134,820	2.91	—	—	—	—	Su-Luan Liao Li-Fu Chiang Ya-Pin Chiang	Husband and wife Father and son Father and daughter	
Li-Fu Chiang	1,677,060	2.28	—	—	—	—	Mu-Shan Chiang Su-Luan Liao Ya-Pin Chiang	Father and son Mother and son Sibling	
Yung-I Kuo	788,000	1.07	—	—	—	—	—	—	
Weitai Investment Co., Ltd.	740,857	1.01	—	—	—	—	—	—	
Ya-Pin Chiang	696,060	0.95	—	—	—	—	Mu-Shan Chiang Su-Luan Liao Li-Fu Chiang	Father and daughter Mother and daughter Sibling	
Su-Luan Liao	691,460	0.94	—	—	—	—	Mu-Shan Chiang Li-Fu Chiang Ya-Pin Chiang	Husband and wife Mother and son Mother and daughter	
Chi-Chang Hsueh	195,000	0.27	—	—	—	—	—	—	
Chi-Chih Weng	172,000	0.23	—	—	—	—	—	—	

Note 1: The names of all top 10 shareholders shall be indicated completely, and for corporate shareholders, corporate shareholders' name and representative shall be indicated separately.

Note 2: The calculation of the shareholding percentage refers to the shareholding percentage of the person and his/her spouse, minors, or by the person under others' names respectively.

Note 3: The shareholders listed above include juridical and natural persons, and the relationship among the shareholders shall be disclosed according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## IX. Comprehensive shareholding ratio

Unit: share; %

Reinvested company	The Company's investment		Investments of directors, supervisors, managers and directly or indirectly controlled businesses		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Kian Shen Investment Co., Ltd.	10,296,105	100%	—	—	10,296,105	100%

## Four. Fundraising Status

### I. Capital and Shares:

#### (I) Type of shares

April 17, 2023

Type of shares	Authorized share capital			Remarks
	Outstanding shares (note)	Unissued shares	Total	
Registered ordinary shares	73,400,135	6,599,865	80,000,000	—

Note: Listed shares.

#### (II) Source of share capital

Month and year	Issuing price	Authorized share capital		Paid-in capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Assets other than cash used for share capital payment	Others	
1963.05.31	10	100,000	1,000,000	100,000	1,000,000	Establishment		None.	None.
1970.05.28	10	300,000	3,000,000	300,000	3,000,000	Capital increase in cash	2,000,000	None.	None.
1978.06.15	10	1,800,000	18,000,000	1,800,000	18,000,000	Capital increase in cash	15,000,000	None.	None.
1984.05.07	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase in cash	10,000,000	None.	None.
						Capital increase from capital surplus	22,000,000		
1985.02.06	10	8,500,000	85,000,000	8,500,000	85,000,000	Capital increase in cash	35,000,000	None.	None.
1990.09.07	10	18,500,000	185,000,000	18,500,000	185,000,000	Capital increase in cash	72,000,000	None.	None.
						Capital increase from capital surplus	28,000,000		
1993.11.01	10	24,975,000	249,750,000	24,975,000	249,750,000	Capital increase from earnings (note 1)	64,750,000	None.	None.
1994.08.16	10	27,972,000	279,720,000	27,972,000	279,720,000	Capital increase from earnings (note 2)	29,970,000	None.	None.
1995.08.17	10	30,769,200	307,692,000	30,769,200	307,692,000	Capital increase from earnings (note 3)	27,972,000	None.	None.
1998.06.27	10	37,324,650	373,246,500	37,324,650	373,246,500	Capital increase from earnings (note 4)	61,538,400	None.	None.
						Capital increase from employee bonus	4,016,100		
1999.08.05	10	50,000,000	500,000,000	41,057,115	410,571,150	Capital increase from earnings (note 5)	37,324,650	None.	None.
2003.06.23	10	50,000,000	500,000,000	45,710,000	457,100,000	Capital increase from earnings (note 6)	41,057,110	None.	None.
						Capital increase from employee bonus	5,471,740		
2004.06.29	10	50,281,000	502,810,000	50,281,000	502,810,000	Capital increase from earnings (note 7)	45,710,000	None.	None.
2005.06.15	10	60,000,000	600,000,000	55,309,100	553,091,000	Capital increase from earnings (note 8)	50,281,000	None.	None.
2006.06.20	10	60,000,000	600,000,000	58,074,555	580,745,550	Capital increase from earnings (note 9)	27,654,550	None.	None.
2007.06.26	10	70,000,000	700,000,000	60,978,282	609,782,820	Capital increase from earnings (note 10)	29,037,270	None.	None.
2008.06.25	10	70,000,000	700,000,000	64,027,196	640,271,960	Capital increase from earnings (note 11)	30,489,140	None.	None.
2009.06.26	10	70,000,000	700,000,000	65,948,011	659,480,110	Capital increase from earnings (note 12)	19,208,150	None.	None.
2010.07.06	10	70,000,000	700,000,000	69,245,411	692,454,110	Capital increase from earnings (note 13)	32,974,000	None.	None.
2016.08.04	10	80,000,000	800,000,000	73,400,135	734,001,350	Capital increase from earnings (note 14)	41,547,240	None.	None.

- Note: 1. On September 29, 1993, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (82) Tai-Tsai-Cheng (I) No. 30195; the amount of capital increase from earnings was NT\$64.75 million, and the paid-in capital after the capital increase was NT\$249.75 million.
2. On July 15, 1994, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (83) Tai-Tsai-Cheng (I) No. 31695; the amount of capital increase from earnings was NT\$29.97 million, and the paid-in capital after the capital increase was NT\$279.72 million.
3. On June 27, 1995, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (84) Tai-Tsai-Cheng (I) No. 37632; the amount of capital increase from earnings was NT\$27.972 million, and the paid-in capital after the capital increase was NT\$307.692 million.
4. On June 8, 1998, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (87) Tai-Tsai-Cheng (I) No. 49774; the amount of capital increase from earnings was NT\$61,538,400, and the amount of capital increase from employee bonus was NT\$4,016,100; the paid-in capital after the capital increase was NT\$373,246,500.
5. On June 7, 1999, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (88) Tai-Tsai-Cheng (I) No. 52614; the amount of capital increase from earnings was NT\$37,324,650, and the paid-in capital after the capital increase was NT\$410,571,150.
6. On June 23, 2003, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (92) Tai-Tsai-Cheng (I) No. 127576; the amount of capital increase from earnings was NT\$41,057,110, and the amount of capital increase from employee bonus was NT\$5,471,740; the paid-in capital after the capital increase was NT\$457,100,000.
7. On June 29, 2004, the Securities Exchange Commission of the Ministry of Finance issued the approval via its letter referenced (93) Tai-Tsai-Cheng (I) No. 127972; the amount of capital increase from earnings was NT\$45.71 million, and the paid-in capital after the capital increase was NT\$502.81 million.
8. On June 15, 2005, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced (94) Jin-Guan-Cheng (I) No. 123834; the amount of capital increase from earnings was NT\$50.281 million, and the paid-in capital after the capital increase was NT\$553.091 million.
9. On June 20, 2006, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced (95) Jin-Guan-Cheng (I) No. 124924; the amount of capital increase from earnings was NT\$27,654,550, and the paid-in capital after the capital increase was NT\$580,745,550.
10. On June 26, 2007, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced (96) Jin-Guan-Cheng (I) No. 0960032039; the amount of capital increase from earnings was NT\$29,037,270, and the paid-in capital after the capital increase was NT\$609,782,820.
11. On June 25, 2008, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced (97) Jin-Guan-Cheng (I) No. 0970031491; the amount of capital increase from earnings was NT\$30,489,140, and the paid-in capital after the capital increase was NT\$640,271,960.
12. On June 26, 2009, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced Jin-Guan-Cheng-Fa No. 0980031829; the amount of capital increase from earnings was NT\$19,208,150, and the paid-in capital after the capital increase was NT\$659,480,110.
13. On July 6, 2011, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced Jin-Guan-Cheng-Fa No. 1000031066; the amount of capital increase from earnings was NT\$32,974,000, and the paid-in capital after the capital increase was NT\$692,454,110.
14. On August 4, 2016, the Financial Supervisory of the Executive Yuan issued the approval via its letter referenced Jin-Guan-Cheng-Fa No. 1000031066; the amount of capital increase from earnings was NT\$41,547,240, and the paid-in capital after the capital increase was NT\$734,001,350.

(III) Blanket declaration related information: None.

(IV) Shareholder Structure

April 17, 2023

Shareholder structure Quantity	Government institutions	Financial institutions	Other juridical persons	Individuals	Foreign institutions and natural persons	Total
Number of shareholders	0	0	30	3,675	11	3,716
Number of Shares Held	0	0	57,610,002	15,608,631	181,502	73,400,135
Ratio of shareholding	0.00%	0.00%	78.48%	21.27%	0.25%	100.00%

(V) Equity Dispersion Status

April 17, 2023

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage %
1 ~ 999	1,413	139,543	0.19
1,000 ~ 5,000	1,942	3,561,623	4.85
5,001 ~ 10,000	185	1,381,218	1.88
10,001 ~ 15,000	57	733,667	1.00
15,001 ~ 20,000	46	842,951	1.15
20,001 ~ 30,000	22	577,984	0.79
30,001 ~ 40,000	9	328,377	0.45
40,001 ~ 50,000	10	462,143	0.63
50,001 ~ 100,000	17	1,251,254	1.70
100,001 ~ 200,000	7	1,013,040	1.38
200,001 ~ 400,000	0	0	0.00
400,001 ~ 600,000	0	0	0.00
600,001 ~ 800,000	4	2,916,377	3.97
800,001 ~ 1,000,000	0	0	0.00
1,000,001 or above	4	60,191,958	82.01
Total	3,716	73,400,135	100.00

Note: The Company does not issue preferred shares.

(VI) List of Major shareholders

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
China Motor Corporation		32,201,367	43.87%
Kouzui Motors Ltd.		24,178,711	32.94%

Note: Shareholders with a shareholding ratio of over 5%.

## (VII) Market value, net value, earnings and dividend per share and related information for the past two years

Amount unit: NTD ; Shareholding unit: share

Item		Year	2021	2022	Current year up to March 30, 2023
Market price per share	Highest		85.50	66.30	65.50
	Lowest		55.60	50.70	60.60
	Average		67.24	58.99	63.07
Net value per share	Before distribution		60.48	62.94	(Note 2)
	After distribution		60.48	62.94 (note 1)	(Note 2)
Earnings per share	Weighted average number of shares		73,400,135	73,400,135	73,400,135
	Earnings per share	Before adjustment	4.18	3.68	(Note 2)
		After retrospective adjustment	4.18 (note 1)	3.68 (note 1)	-
Dividend per share	Cash dividend		NT\$2.1 per share	NT\$2.1 per share	-
	Free share allotment	Share allotment from earnings	-	-	-
		Share allotment from capital surplus	-	-	-
	Accumulated unpaid dividend		-	-	-
Analysis of return on investment	Price earnings ratio		16.09	16.03	-
	Price dividend ratio		32.02	28.09	-
	Cash dividend yield		3.12%	3.56%	-

Note 1: The 2023 general shareholders' meeting is not yet held, and the profit distribution scheme is not yet determined, so the amount after distribution is the same as the amount before distribution.

Note 2: As of the date of printing, the first quarter financial report numbers have not been reviewed by the CPAs, so they are not disclosed.

## (VIII) Dividend policy and implementation status

## 1. Dividend policy

Considering the volatility of the Company's industry, the fact that the Company is at the maturity phase in its industry life cycle, future working capital needs and long-term financial planning, in principle the Company shall distribute no less than 20% of net profit after tax for the year as shareholders' dividends in forms of cash or shares, and the cash dividend shall be no less than 20% of total dividends.

For the dividend mentioned in the preceding paragraph, it is proposed that the board of directors draft an earnings distribution scheme and submit it to the shareholders' meeting for resolution.

## 2. Dividend distribution proposed for the year

The Company plans to distribute a cash dividend of NT\$154,140,284 from the undistributed earnings for 2022, at NT\$2.1 per share. The 2022 earnings distribution scheme mentioned above was discussed and approved by the board meeting on March 10, 2023. It has not been resolved by the shareholders' meeting as of March 30, 2023.

## (IX) Impact of free share allotment on the Company's business performance and earnings per share

(X) Remuneration of employees and directors

1. The percentage or range of employees' and directors' remuneration stated in the Company's Articles of Association is that the Company shall allocate no less than 0.1% of the "annual pre tax net profit before deduction of employees' remuneration and directors' remuneration" as employees' remuneration, and no more than 1% as directors' remuneration, respectively.
2. The estimated employees' remuneration and directors' remuneration of the Company for 2022 were recognized at 0.68% and 0.5% of the pre tax net profit before deduction of employees' remuneration and directors' remuneration, respectively. On the shareholders' meeting date, if there is a change in the amount, it will be processed according to the changes in accounting estimates, and adjusted to the account in the year of the shareholders' meeting resolution.
3. Proposed employees' remuneration and directors' remuneration approved by the board meeting
  - (1) The employees' remuneration approved by the board meeting of the Company on March 10, 2023 is NT\$2,344,270, a difference of NT\$138,620 from the estimated amount of NT\$2,482,890 for 2022, and an adjustment will be made to the 2023 profit or loss. The directors' remuneration is NT\$1,717,000, which is the same as the estimated amount for 2022.
  - (2) The amount of employee remuneration distributed through stocks, and its proportion to the total amount of net profit after tax and employee remuneration in the current individual and respective financial reports: The Company did not distribute employee remuneration through stocks, so it is not applicable.
4. The 2021 employees' remuneration distributed in 2022 was NT\$3,085,675, and the directors' remuneration was NT\$2,595,000, which were approved by the board meeting of the Company on March 14, 2022, and were the same as the actual amounts distributed after the shareholders' meeting.
5. In addition to allocating the abovementioned employees' remuneration, in accordance with the Company's "Business Plan Management Measures", managers or above shall develop a business plan and strategic objectives, track the progress of execution and revise the plan every quarter, and conduct employee assessment every six months to reflect the results of the stage at the right time. Rewards shall be given through the "Promotion Management Measures" and "Incentive Management Measures". In addition, based on business performance and individual work performance of employees, the three-festival bonuses, year-end bonus and group performance bonus shall be distributed to encourage employees to create better results for both the Company and shareholders.

(XI) The Company's buyback of its own shares: None.

**II. Handling of corporate bonds: None.**

**III. Handling of preference shares: None.**

**IV. Handling of overseas depositary receipts: None.**

**V. Handling of employee stock option certificates: None.**

**VI. Handling of new shares with restricted employee rights: None.**

**VII. Handling of new share issuance due to the M&A or assignment of shares of other companies: None.**

**VIII. Implementation of fund utilization plan: Not applicable.**

## Five. Operation Overview

### I. Business Contents

#### (I) Scope of business

1. Main products: Manufacturing and sales of car body shells, beams and crossbeams, platform decks, chassis suspension parts, sub-assy, stamping molds, jigs and meal parts.
2. The above products are related to import and export trade and the Company acts as the agent for domestic and foreign manufacturers' sales and purchase business.
3. Business proportion: Manufacturing and sales of automotive related components and molds account for 99% of the business.
4. New products (services) and amounts planned for development:

The new products that the Company plans to develop in the future include electric bus shells of Chung Shing Bus, Foxtron Vehicle Technologies and RAC Electric Vehicles, Kouzui Motors' trucks, low chassis buses, auto-shift vehicle shells, wooden beds of small trucks and iron bed rear bodies, and the suspension of China Motor's small electric trucks. The expected professional technology related expenses of the above in the 2023 R&D plan is NT\$22,690,000

#### (II) Industry overview

1. Macro economic environment:

On the recent international economic situation, due to the impact of the Russia Ukraine War and the implementation of China's pandemic lockdown and control measures, global energy and raw material prices have skyrocketed. In addition, the US interest rate hike has led to increased inflationary pressure in many countries, which has impacted Taiwan's export business. In 2022, Taiwan's economic growth rate dropped to 2.45%. Fortunately, the impact of the pandemic situation in Taiwan has gradually faded, and the government's relevant prevention and control measures have been significantly eased, making the economy support from domestic and foreign sales to domestic demand. The sales of the Company's main products have grown steadily, and electric bus shells have been mass produced. The operating revenue in 2022 has grown from that in the same period last year.

2. Current status and prospect:

Despite the repeated impact of the pandemic in 2022, the government implemented a phases I to III subsidy policy for the replacement of vehicles, resulting in an increase in the demand for large trucks. Thanks to the subsidy policy for electric buses and the mandatory implementation of electric vehicle routes, the sales of domestic buses increased from that in the same period last year. However, due to the shortage of car chips, the shortage of cars did not significantly improve, and the market continued to show a shortage of supply, which also affected the overall sales performance.

Looking ahead to the year 2023, the Company will keep serving its existing customers, comply with the government policy to promote electric buses, expand its self-production ratio, and assist other electric bus operators in localization.

3. Relationship among upstream, midstream and downstream of the industry

The Company's main products include the shells of vans and passenger cars, the wooden bed rear bodies of small and light commercial vehicles, as well as the metal and chassis parts of small passenger cars and commercial vehicles. Most of the steel plates, the main materials for the shell, are purchased from China Steel, and only steel plates with special materials and specifications are imported from Japan, so the prices used are mostly affected by fluctuations in the prices quoted by China Steel or the purchase price by the central factory (imported steel). As for the main raw materials of the rear car body, they are mainly made of wood/artificial materials; all timber relies on imports from Indonesia and Malaysia, while artificial materials are provided by Yueki Industrial of Yulong Group, and the delivery is designated by the central factory.

#### 4. Product development trend and competition:

The domestic automotive market has become more mature and saturated. With multiple brands competing for market share, domestic automobile factories have switched to imported parts or whole vehicles to reduce the development and procurement costs of domestic parts. In response to this situation, effectively integrating the resources and products of the Company's mainland investment business, thereby improving the utilization of production capacity, and strengthening price competitiveness, will be the key direction of the Company's future development. Continuously maintaining close relationships with technical cooperation companies (Japan's Takebe Iron Works, Hirata Industries Co., Ltd. and Miwa Production Institute) is also an important foundation for ensuring the localization of Japanese car parts.

#### (III) Technology and research and development status

1. R&D expenses: The Company invested NT\$23,390,000 in R&D expenses in 2022, accounting for approximately 1.6% of the net operating income.

2. Achievements of development work already completed in the past years:

- \* Development of China Motors' CT model.
- \* R&D of Kouzui 873W (202B) wooden bed rear body.
- \* R&D of Kouzui 804W safety car shell.
- \* R&D of Kouzui Y416 electric bus shell.
- \* R&D of the rear body of the wooden bed hydraulic tailgate style for the Ho Tai 5.0T long/medium/short vehicle model.
- \* R&D of Shung Ye MB Phase VI bus shell.
- \* R&D of the rear body of Triangle Motors Phase VI wooden bed rear vehicle body.
- \* R&D of Tong Ying YET electric bus shell.

3. Continuous and future research development plans:

- \* R&D of Daimler Taiwan's hydraulic tailgate.
- \* R&D of Daimler Taiwan's aluminum bed.
- \* R&D of Fortune Motors' hydraulic tailgate.
- \* R&D of the wooden bed rear vehicle body of China Motor JD phase II widened model.
- \* R&D of the shell of China Motor ET35 model.
- \* R&D of the wooden bed and aluminum rear vehicle body of China Motor ET35 model.
- \* R&D of Kouzui Y356 chassis bus shell right-hand drive output.
- \* R&D of the aluminum bed of Ho Tai Motor's small business vehicles.
- \* R&D of Ho Tai 5.0T hydraulic tailgate.
- \* R&D of the electric bus (long-tour version) shell of Foxtron Vehicle Technologies.
- \* R&D of the 12-meter electric bus (wide and long version) shell of Capital Motors.
- \* R&D of 40 feet trailer shell.

#### (IV) Long-term and short-term business development plan

### 1. Short-term business development plan:

- (1) Implement the annual strategy set by the Company to achieve annual sales targets.
- (2) In response to the increasing domestic production of electric buses, integrate the demand and models of the domestic bus industry, actively study the solutions, and introduce new equipment to improve production capacity to meet the needs of customer orders.

### 2. Long-term business development plan:

- (1) Continuously competing for the business of metal plate parts, suspension parts and modular parts from other domestic car manufacturers.
- (2) Continuously monitor the domestic and international industry trends, and promote opportunities for mold and component output.
- (3) Expand the business of other platform deck products other than the vehicle business.
- (4) Master the future development trend of green energy components of car factories, actively collect and research relevant information on aluminum beds, rolling, hydraulic and high tension steel plates and aluminum alloy processing, in order to keep up with the trend of technological evolution in car factories.
- (5) Expand vehicle parts products for the after-sales installation and service market.

## II. Market and Sales Overview

### (I) Market analysis

#### 1. Main product sales regions and ratios

The Company's main products are the shells, platform decks, parts, molds and jigs of car bodies. Currently, the main sales area is Taiwan, and the sales ratios of the products are detailed in the "Sales Volume and Value in the Past Two Years".

#### 2. Future market supply and demand

The domestic automotive market has become more mature and saturated, with an overall market sales of 430,000 vehicles in 2022, a slight decrease from 449,000 vehicles in 2021. War, inflation and raw material shortages have affected the global automotive industry. Due to the impact of tariffs and exchange rates, domestic development costs have relatively increased, leading to an increase in the proportion of vehicle imports and component imports, impacting the existing domestic market environment.

In order to improve the overall competitiveness of the Company (on quality, delivery time, price, etc.) and respond to market changes and competition, in addition to expanding external sales business and increasing cross-strait division of labor, it is necessary for the Company to have the ability to quickly respond to customers' short-term development needs for new products, provide high-quality and differentiated products, and reduce production costs, in order to maintain the main first-tier supplier status among domestic car manufacturers, and step into the international market.

#### 3. Business goals

The main products of the Company are the shells of large and medium-sized trucks and passenger cars, the wooden bed rear body of small and light commercial vehicles, as well as the chassis and suspension metal parts of small trucks. Among them, shells are oligopoly products, and the wooden bed market share also reaches 90%. As for the parts such as vehicle metal plates, chassis and suspension parts, there is a lot of competition. In order to enhance its core competitiveness, the Company needs to use the capabilities of its technology parent factory to actively cultivate talents in system design and verification, in order to establish its own core technical capability.

Considering the limited growth of the domestic automotive market, in addition to the existing businesses of vehicle shells, wooden beds, metal plate parts and suspension parts, the Company actively expands the customer base and products in the after-sales installation and service markets, and cooperates with

whole-bus manufacturers to strive for the export of large and intermediate bus shells to Southeast Asia.

#### 4. Favorable and unfavorable factors for future development

Various countries have gradually raised interest rates to curb inflation, and manufacturing activities have significantly slowed down. In addition, variables such as the unsettled Russia-Ukraine war and the resurgence of US-China technology war continue to cast doubts on the global economic outlook. Taiwan's exports have severely declined, and it is predicted that the domestic economic growth rate in 2023 will be 2.12%. Fortunately, the impact of the pandemic situation in Taiwan has slowed down, and the government's relevant prevention and control measures have been eased significantly; private consumption demand has rebounded, and Taiwan's economic performance is stable.

The COVID-19 pandemic was still one of the biggest problems for the world last year. Taiwan was also deeply affected, especially in the automotive market, but the demand and purchase momentum remained strong. However, due to the continuing shortage of car supply caused by the shortage of automotive chips, the market continued to show a higher demand than supply, which also affected the overall sales performance. The final number of cars in the overall market throughout the year was 429,731, a decline of 4.5% from that in the same period last year. The favorable and unfavorable factors for the future development of the Company are summarized as follows:

##### <Favorable factors>

- (1) In terms of the development and production of existing professional shells and wooden beds, the Company has an oligopoly advantage in technology and equipment, which can ensure a domestic market share of over 90%.
- (2) The company's products have long received recognition from the industry and customers, and for the expansion of new markets, it is easy to form alliances to expand new markets/businesses.
- (3) The Company has NC punch machines and mold making and laser punching manufacturing technology to reduce development costs. The renovation of the 5,000 ton hydraulic press and large ED coating tank has been completed to improve the ability to produce large parts.
- (4) The Company has mainland subsidiaries of high homogeneity, which can effectively reduce development costs and increase price competitiveness through joint research and discovery of molds for parts used by both sides of the Taiwan Strait.
- (5) The Company continues paying attention to the demand of and changes in the domestic commercial car shell market, and has an important supply chain advantage for domestic shells.
- (6) The Company, in compliance with the government policy to replace existing fuel-powered mass transportation vehicles in 2030, has set up an electric bus shell production line which has started mass production and supply.

##### <Unfavorable factors>

- (1) The scale of the domestic automotive market is limited, and the cost of developing automotive parts and molds is high; the willingness of the central factory to develop new car models in Taiwan is low, leading to a decrease in opportunities for new businesses.
- (2) The competition in the domestic car market is getting more intense, the central car factory requires price reduction for profit sharing every year, and the price and profit of the OEM parts market is getting lower and lower.
- (3) With the increasing awareness of environmental protection and stricter regulations on air and water pollution, the operating costs of factories have increased.

##### <Countermeasures>

- (1) Presenting and participating in the design of car factory components, and finding the Company's technical positioning; expanding the internal and external sales of parts with technical barriers through the recognition of technology or quality, thereby entering the supply chain system of international car

factories on both sides of the Taiwan Strait.

- (2) Collaborate with the central factory and downstream manufacturers to implement raw material joint procurement or international procurement to reduce procurement costs.
- (3) Explore and grasp emerging markets such as mainland China, India and ASEAN countries, actively seek new customers and businesses, and break through the current difficulties of the Taiwan market.

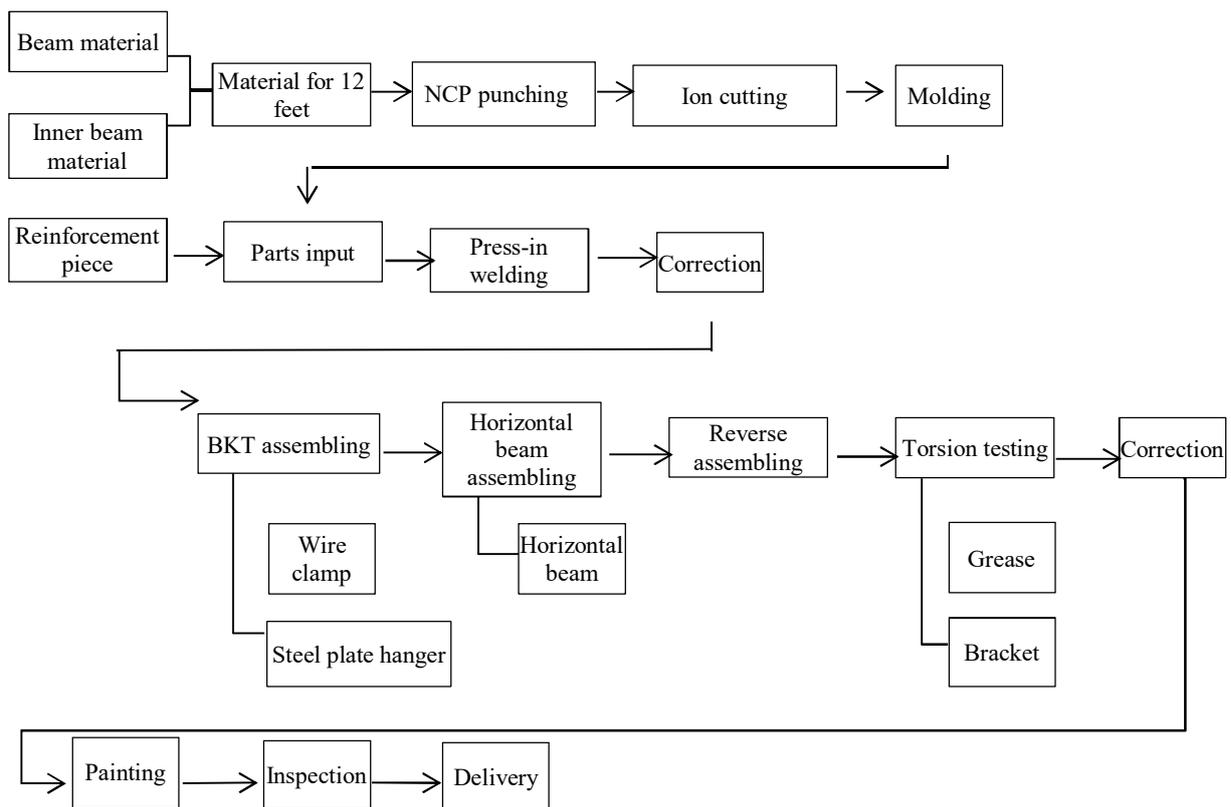
(II) Important applications and production process of main products

1. Important applications of main products

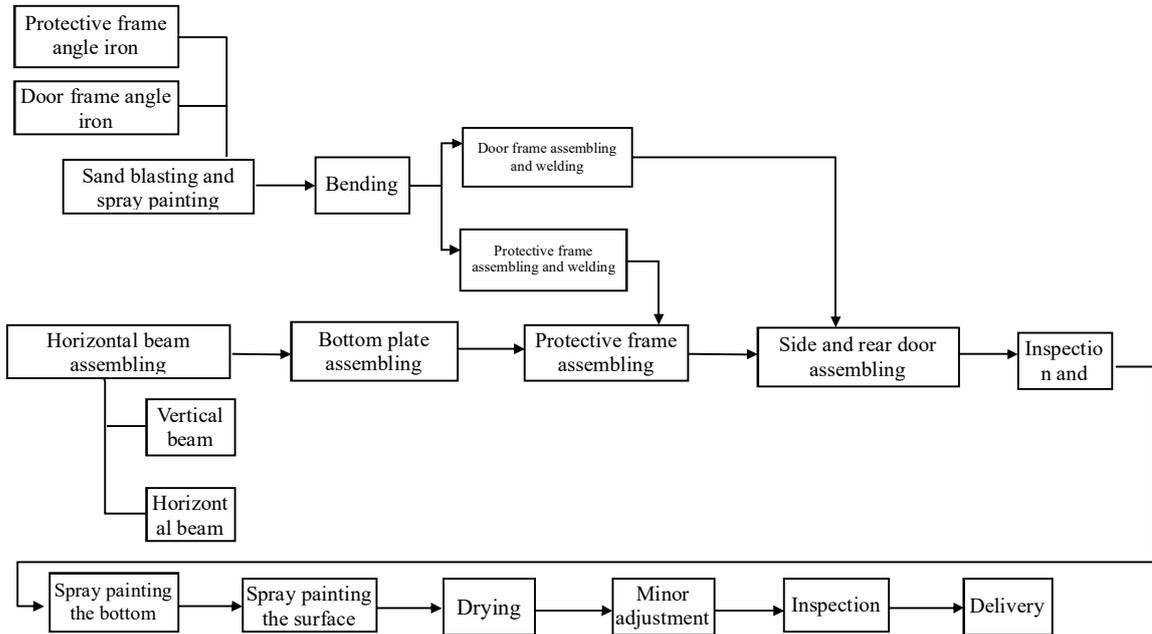
Product type	Important applications or functions
Vehicle shell	Supply of chassis of large, medium and small trucks with a total weight of 3.5 tons (including) and for medium and large buses.
Rear car body of platform deck	For the rear body of small trucks
Metal plate parts	Supply of chassis, body and suspension parts for chassis.
Molds and jigs	For car parts.

2. Production process

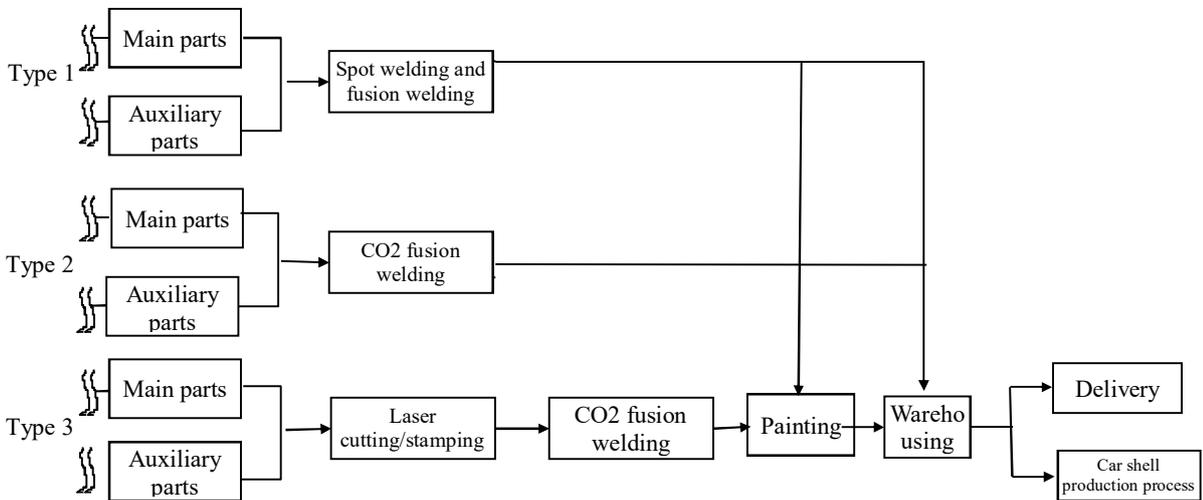
(1) Vehicle shells:



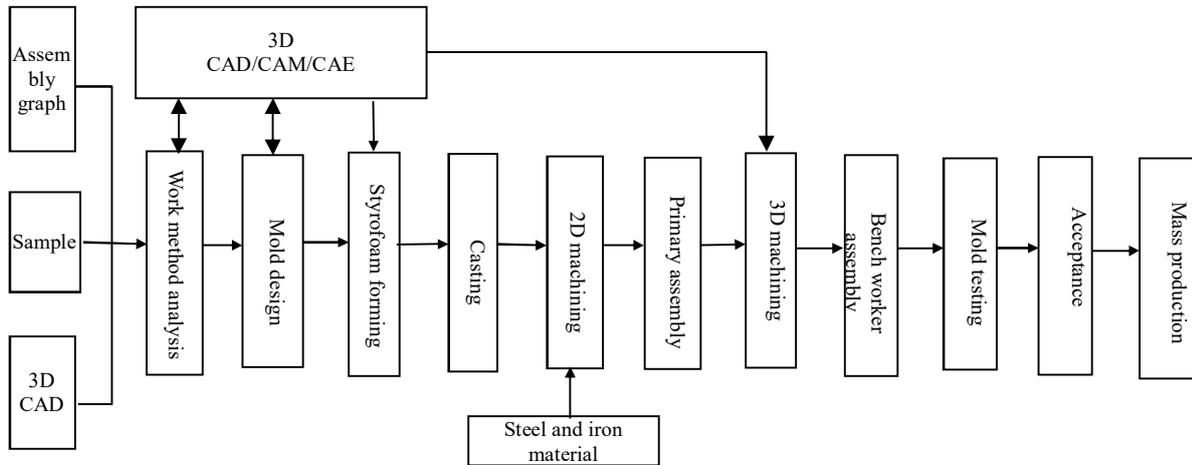
(2) Rear car body of platform deck



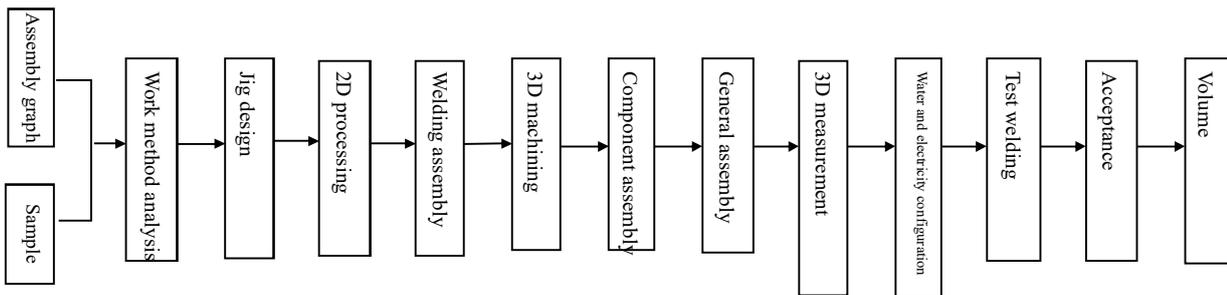
(3) Metal plate parts



(4) Mold production process



(5) Jig production process



(III) Supply and demand of key materials:

Type	Major supplier	Item	Supply method
Vehicle shell	China Steel and Chun Yuan Steel	Steel plates and pipes	Contract supply
Rear car body of platform deck	Yueki, Chia Hsin and Young Yo Fang	Wood/artificial materials/aluminum shaped materials	Contract supply
Metal plate parts	135 parts suppliers including Kun-Chuan and Cheng Lih Hsin	Car parts made in Taiwan	Contract supply
Paint	Tang Eng, Asia, Chingfeng and Yi-Mei	Spray paint and solvent	Contract supply

(IV) Names of customers representing more than 10% of the total purchase (sale) in the last two years and the purchase (sale) amount and percentage

1. Major suppliers in the last two years

Unit: NT\$ thousand

Item	2021				2022			
	Name	Amount	Percentage of net annual purchase	Relationship with the issuer	Name	Amount	Percentage of net annual purchase	Relationship with the issuer
1	Yueki Industrial Co., Ltd.	175,748	17%	Substantive related party	Yueki Industrial Co., Ltd.	166,935	13%	Substantive related party
2	Other	851,707	83%		Other	1,145,801	87%	-
	Net purchase amount	1,027,455	100%		Net purchase amount	1,312,736	100%	-

2. Major customers in the last two years

Unit:

NT\$ thousand

Item	2021				2022			
	Name	Amount	Percentage of net annual sales	Relationship with the issuer	Name	Amount	Percentage of net annual sales	Relationship with the issuer
1	China Motor Corporation	683,751	54%	Parent of the Company	China Motor Corporation	603,800	40%	Parent of the Company
2	Kouzui Motors Ltd.	360,769	28%	Company adopting the equity method for the Investment in the Company	Kouzui Motors Ltd.	682,241	46%	Company adopting the equity method for the Investment in the Company
	Other	231,088	18%		Other	214,224	14%	
	Net sales amount	1,275,608	100%		Net sales amount	1,500,265	100%	

(V) Production volume and value in the last two years

volume unit: thousand unit; value unit: NT\$ thousand

Production Volume and value	Year	2021			2022		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Key product							
Vehicle shell		25	14	361,609	25	14	394,592
Platform deck		30	23	386,926	30	29	521,056
Parts		3,945	1,019	271,697	3,945	1,118	304,140
Molds and jigs		-	-	25,991	-	-	35,061
Total		4,000	1,056	1,046,223	4,000	1,161	1,245,779

(VI) Sales volume and value in the last two years

Volume unit: thousand unit; value unit: NT\$ thousand

Sales Volume and value	Year	2021				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Key product									
Vehicle shell		15	532,349	-	-	12	541,930	-	-
Platform deck		23	433,718	-	-	29	595,505	-	-
Parts		1,042	274,647	-	-	1,107	316,604	-	-
Molds and jigs		-	24,628	-	-	-	33,308	-	-
Other		-	10,266	-	-	-	12,918	-	-
Total		1,080	1,275,608	-	-	1,148	1,500,265	-	-

### III. Employees

Year		2021	2022	Up to March 30 for 2023
Employees number of people	Direct employees	211	231	230
	Indirect employees	109	117	114
	Total	320	348	344
Average age		41.59	41.07	41.14
Average years of service		9.40	8.60	8.75
Education distribution	PhD	-	-	-
	Master	8	15	15
	College and university	143	144	143
	Senior high school	104	123	125
	Below senior high school	65	66	61

Indicator	Percentage (%)	Pay equity index	Gap (%)
Percentage of female employees	17%	Gap in "average" salary between men and women	1%
Percentage of female supervisors	13%	Gap in "median" salary between men and women	3%
Percentage of female managers and above	9%	-	-

- (I) The Company is committed to providing a work environment that is respectful and safe for all employees. We implement diversity in employment, fairness in compensation and promotion opportunities, and ensure that employees are not discriminated against, harassed or treated unfairly due to race, gender, religion, age, political orientation, and other rights protected by applicable laws and regulations.
- (II) In order to provide a working environment for employees and job seekers that is free from sexual harassment, and to prohibit the occurrence of sexual harassment in the workplace, the Company has formulated the "Workplace Sexual Harassment Prevention, Governance, and Appeal Measures".

### IV. Environmental Protection Expenditures

- (I) Losses and fines incurred due to pollution of the environment in the last year up until the publication date of this annual report: None.
- (II) Environmental protection expenditures in the past year:

The cost of renewal of biological filter materials for domestic wastewater at the wastewater treatment plant and the replacement of exhaust gas capture air pipes at the electric painting plant in 2022 was NT\$3.56 million.

- (III) Expected environmental protection expenditures in the next two years:

Item	2023	2024
Planned procurement of pollution control equipment or expenditure content	<ol style="list-style-type: none"> <li>The treatment windmill for wooden bed spray painting exhaust gas has been replaced with stainless steel material.</li> <li>The waste gas treatment reaction tank of the electric painting factory's oven was replaced with a stainless steel product.</li> <li>The sand filtration equipment of the wastewater treatment plant was upgraded to an automatic control device.</li> <li>A heat pump sludge dryer was installed in the wastewater treatment plant.</li> </ol>	<ol style="list-style-type: none"> <li>Grinding dust treatment equipment was added for stamping and wooden bed sections.</li> <li>The high concentration anti-foam screen in the wastewater flow field was replaced with a stainless steel product.</li> <li>A soundproof wall was added to the 12 feet shearing machine for the stamping section.</li> </ol>
Expected improvement	<ol style="list-style-type: none"> <li>Reducing the cleaning and maintenance time for the wooden bed spray painting exhaust gas in the treatment windmill.</li> <li>Improving the efficiency of plasma ozone waste gas treatment in the electric game coating plant.</li> <li>Upgrading the sand filtration equipment in the wastewater treatment plant to automatic control to reduce human errors.</li> <li>Installing a heat pump sludge drying device in the wastewater treatment plant to reduce waste production.</li> </ol>	<ol style="list-style-type: none"> <li>Reducing dust pollution from grinding operations and damage to the health of workers.</li> <li>Increasing the environmental safety of wastewater operators.</li> <li>Reducing the noise of the 12 feet shearing machine of the stamping section.</li> </ol>
Amount	NT\$6.94 million	NT\$3 million

## V. Labor Relations

- (I) Availability and execution of employee welfare committee, welfare measures, group insurance, further study and training and retirement policies in the past year and as of the date of publication of the annual report:

### 1. Establishment of the Employee Welfare Committee

According to the Employee Welfare Regulations, the Company established an Employee Welfare Committee on November 27, 1991 to handle employee welfare matters. Currently there are 9 members; in addition to one ex-officio member (business executor) who is appointed by the Company, other members are selected from employees in different areas. Quarterly meetings are held, and temporary meetings are also held according to actual needs to study employee welfare measures and take care of welfare matters.

### 2. Employee welfare measures

- (1) The Company provides uniforms, well-equipped employee dormitories, training classrooms and employee restaurants.
- (2) The Company holds activities such as year-end party with lottery draw, and domestic and international travel (with travel subsidy).
- (3) Sponsorship of employee club activities
- (4) Free group regular insurance and injury insurance for employees, as well as regular physical examinations.
- (5) The Company provides inpatient comfort, bereavement comfort and interaction with employees, and employee relatives may enjoy hospitalization subsidies.
- (6) Gift to employees for three festivals, birthday, marriage, childbirth, pregnancy and retirement.
- (7) Scholarships to employees and their children.
- (8) High-quality stores in Taiwan are contacted to sign them up as "chartered stores" to provide diverse consumption and selection information to employees.
- (9) Cooperate with the car factory's sales promotion activities and provide discounts for employees' car purchase.

### 3. Employee group insurance

All formal employees of the Company are eligible to participate in group insurance for free, covering occupational disaster insurance, personal life insurance (disability compensation, death compensation, etc.), cancer prevention medical insurance (surgery subsidy and radiation therapy subsidy), hospitalization medical compensation, major injury and disease payment, and accidental injury and death compensation. The personal life insurance coverage is 20 months' salary, and the accidental injury and death compensation guarantee is 30 months' salary. The hospitalization and medical compensation is on a daily basis or the actual cost payment method (including employees' spouses and children). The estimated benefit amount for employees and their families in 2022 was about NT\$3.526 million.

### 4. Employee's further study and training

- (1) Education and training are one of the basic benefits of the Company's employees. In order to continuously cultivate talents, assist employees in their growth, and improve the quality of human resources, the Company has established an "Education and Training Measures" According to the Education and Training Measures, the number of hours for the Company's education and training in 2022 reached 6,893 hours, with an education and training cost of approximately NT\$404,000.
- (2) In order to implement the Company's education and training philosophy and fully perform the

function, the Company's education and training system is divided into the following:

Item	Explanation	Training hours
1. Levels within the factory	Courses that enhance the skills of employees at all levels, including various management capabilities, lectures on environment, safety, hygiene and health, KM, OJT, quality, information, etc.	4,021 hours
2. Pre-employment training	Guiding new employees to familiarize themselves with the Company, organizational development and evolution, work environment, safety and health training, financial security, welfare introduction, etc.	1,001 hours
3. Profession categories outside the factory	Departments may periodically send personnel to participate in various training courses organized by external training institutions according to business execution needs. In 2022, a total of 101 people obtained professional certificates, technicians' certificates, training completion certificates and refreshment training completion certifications.	1,286.5 hours
4. Language training	In order to improve the language proficiency and human resources quality of all employees, Japanese language training is provided to meet the needs of work and business, and to explore the international market and achieve the goal of sustainable operation.	Japanese: 584.5 hours

#### 5. Retirement system

According to the Labor Pension Act, the Company set up the Labor Pension Reserve Adult Committee to handle matters related to employee retirement. Starting from July 1, 2005, if employees choose to apply the pension system of the Labor Pension Act, 6% of their monthly salary will be transferred to the personal pension account of the Bureau of Labor Insurance.

The pension system according to the "Labor Standards Act" belongs to the defined welfare retirement plan managed by the government. The payment of employee pension is calculated based on the number of years of service and the average salary of the six months prior to the approved retirement date. The Company allocates a certain proportion of the employee's monthly salary as pension, which is deposited into the special account of Bank of Taiwan under the name of the Labor Pension Reserve Adult Committee. Before the end of the year, if the estimated balance of the special account is insufficient to pay the estimated pension for workers in the following year, the difference will be allocated in one lump sum before the end of March of the following year. Due to the special account settlement of Bank of Taiwan, there was no need to allocate any difference in March 2022, and the monthly total salary allocation rate was lowered to 2%.

#### 6. Establishment of Labor-management Committee

In order to coordinate labor relations and promote labor cooperation, it is necessary to increase communication between labor and the management within the enterprise, reduce conflicts, and enable both parties to reach consensus, thereby pooling the wisdom and potential abilities of everyone to work together to implement resolutions. The Labor Management Committee was officially established on March 19, 2007. Currently, there are five representatives from both labor and management side; regular meetings are held quarterly, and temporary meetings are held according to actual needs.

#### 7. Maintenance measures for employee safety and rights and interests

##### (1) Employee Care Assistance Program

Caring for the physical and psychological health of employee, and providing various consultations and guidance.

##### (2) Full employee participation and management of multiple communications.

\* Advocate the concept of multi-directional communication, encourage participation in management, and cultivate team consensus.

\* Publicize the operation and management status, and increase the loyalty and crisis awareness of employees.

\* Set up an opinion box to focus on employee related issues and protect their rights and interests.

- \* Established a communication mechanism for the Employee Welfare Committee and labor management meetings.
- \* Regular meeting and communication mechanism for foreign employees.

### (3) Healthy and safe workplace

Enrich safety and health facilities, ensure job security, care about employees' health and promote environmental and safety and health work, implement the labor safety and health management plan and automatic inspection plan, as follows:

- \* Plan a series of health promotion activities, implement incentive measures to motivate employees to participate, and use accumulated point incentives to assist in maintaining positive health behaviors. In 2022, we continuously obtained the health workplace certification mark approved by the National Health Administration of the Ministry of Health and Welfare.
- \* On a monthly basis, the "Professional Physician of the Occupational Medicine Department of Chang Gung Hospital" provides on-site services to assist in identifying and evaluating the harmful factors in the work environment, operations and internal organization that affect the physical and mental health of workers, and propose improvements and suggestions and provide and arrange health education, guidance, physical and mental health protection and health promotion for employees to gradually move toward the goal of a friendly and safe workplace.
- \* Regularly hold joint meetings on occupational safety, health and environment to timely grasp the progress of safety, health and environmental improvement.
- \* Regularly conduct environmental, safety and hygiene inspections and organize the factory area to establish a safe and comfortable workplace environment.
- \* Regularly conduct comprehensive inspections of environmental safety regulations, environmental regulations, fire prevention laws, labor insurance and other relevant regulations every year, as well as monthly online inspections of regulatory announcements.
- \* Regularly conduct environmental considerations, hazard identification and risk assessments every year.
- \* Complete the annual environmental and health goals/targets and plan management on a regular basis every year, and confirm the progress on a monthly basis.
- \* Organize an emergency response drill and self-defense fire organization training once in the first and second half of the year respectively.
- \* Installed a fire alarm system for the entire factory which is connected to the security room to timely monitor the situation in the plant.
- \* Equipped the factory with monitoring systems for important equipment and safety entrances and exits with network connection to keep track of information at any time.
- \* Conduct labor environment testing once in the first and second half of the year respectively to serve as a basis for environmental improvement in the workplaces.
- \* The daily (or pre-operation) items for inspection include stackers, cranes (including peripheral parts), safety protection equipment, punching and shearing machines, CO2 welding machines, high-altitude work vehicle, small boiler, second type of pressure vessels, use of industrial robots, equipment inspection and CO2 tanks.
- \* Monthly report for fire prevention facility inspection, environmental safety publicity, occupational disaster statistics (submitted to the Labor Inspection Department of Taoyuan City Government), monthly safety inspection of high and low voltage electrical instruments and equipment.
- \* Continuously promote safety and health competition activities.
- \* Handle environmental and safety hygiene award-winning and answering activities.

(4) Introduction and replacement of new equipment

- \* Replaced the fixed crane host of the electric coating factory.
- \* Reinforcement work for crane tracks and track trusses in the electric painting factory.
- \* Introduced suspended biofilter materials into the biological pool of the wastewater treatment plant.
- \* Replaced the UF tank in the electric coating field.
- \* Introduced energy-saving equipment for hydraulic press (No. 1601/1201/605/606).
- \* Improved the pipeline, recovery drum, and combustion equipment of the boiler system.

(5) Improvement of factory buildings

- \* Added generators to fire pumps.
- \* Renovated the bedrooms on the third floor of the dormitory.
- \* Repaired the road in the electrical coating factory and the finished wood bed area.
- \* Repaired the rooftops in the electrical coating factory and the wood bed iron material area.

8. Public benefit activities

- \* Irregularly cleaned Xinjiang Road in Hsiutsai Village.
- \* Irregularly held sport walking to clean the mountain.
- \* Participated in the "Yangming Mountain Removal of Exotic Plants Activity."
- \* Sponsored local community public welfare activities.
- \* Participated in police friend association activities to strengthen good local interactive relationships.
- \* Irregularly visited neighboring residents around the factory boundary to understand public opinions.
- \* When holding large-scale events in the factory, purchased charity group pastries to share with employees.

9. Female Employee Support Program.

- \* Dedicated parking space for pregnant women.
- \* Well equipped breast-feeding room.
- \* Postpartum health consultation for mothers.
- \* Childbirth gift money.

10. In order to support local education and increase students' practical work experience, the Company actively collaborates with major colleges and universities to arrange for students to receive practical work training. The industry academia cooperation in 2022 is shown in the table below:

Type	School	Number of people	Period
Industry-academia cooperation	Ming Chi University of Technology	4	2022/9/12~2023/9/11
Industry-academia cooperation	Minghsin University of Science and Technology	6	2022/9/1~2025/6/30
Industry-academia cooperation	Chung Yuan Christian University	2	2022/7/4~2022/8/31

(II) The Company did not suffer losses due to labor disputes in the past year and up to the date of publication of the annual report.

## VI. Infocomm Security Management

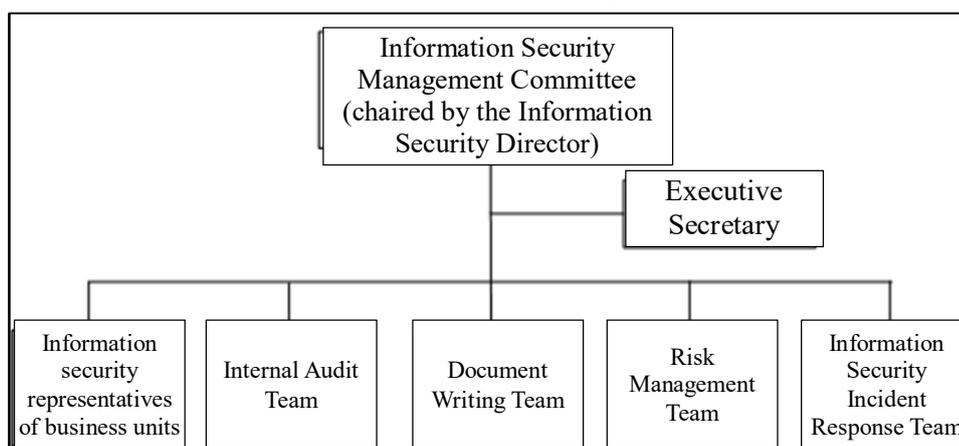
### (I) Infocomm security management strategy and framework

The Company follows Article 9 "Processing of Computerized Information Systems" in Chapter 2 "Design and Implementation of Internal Control Systems" of the "Guidelines for Establishing Internal Control Systems for Public Companies" and formulated relevant departmental operating regulations to improve the operation environment, in order to reduce the information security threats and risks caused by emerging information technology applications and environmental changes.

#### 1. Infocomm security risk management framework

##### (1) Infocomm security management strategy and framework

In order to improve information security management, the Company has established a information security management framework and objectives to sequentially promote short, medium and long-term asset security plans, and established an "Information Security Management Committee" in charge of Company's information security operation management, supervision and auditing, and the audit unit regularly reports the status of information security governance review to the board meeting. The Company's information security strategy is to maintain the sustainable operation of the enterprise and ultimately adhere to legal rules and regulations.



##### (2) The Company's Information Security organization structure

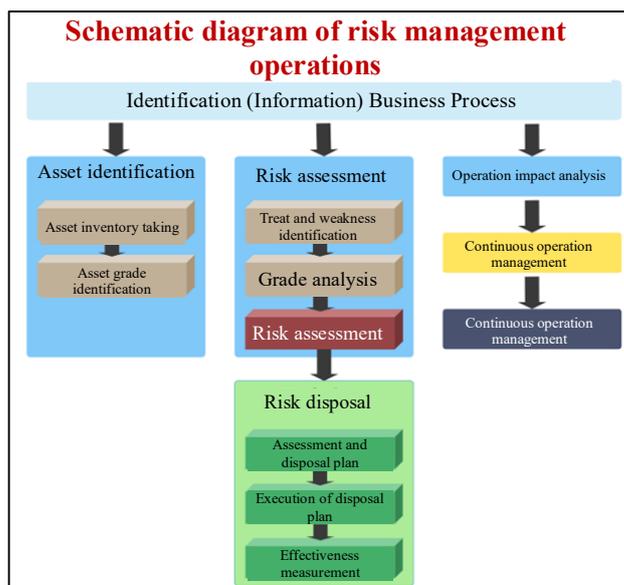
The Company holds an information security management review meeting at least once a year to discuss current information security related policies and objectives, and keep relevant documents and records for review. If there are significant changes in policies, they should be immediately reviewed to ensure appropriateness and effectiveness, and relevant units should be informed for compliance.

#### 2. Infocomm security policy

##### (1) Enterprise information security management strategy and framework

To ensure the normal operation of the Company, the information systems are continuously accessible to effectively reduce the risk of theft, improper use, leakage, tampering or destruction of information assets caused by human negligence, deliberate acts or natural disasters, in order to establish an effective management mechanism, and realize management commitments and continuous participation of all employees, and establish information security management standards as the basis for compliance.

(2) Enterprise information security risk management and continuous improvement architecture



(3) Specific management plans

① Multiple layers of information security protection

- \* Network security: Introduce the next-generation firewall system to strengthen new types of threats.
- \* Device security: Perform optimization of the physical environment of the information room.
- \* Information security: Perform dual factor authentication and introduce assessment.

② Review and continuous improvement

In addition to the continuous implementation of information security cycle operations every year, future information security efforts are planned according to the Group's "Information Security Development Blueprint".

- \* System maintenance: Regularly implement system security vulnerability scanning, continuously strengthen the basic information environment, establish an automated remote storage mechanism for backup data, adjust and correct the disaster recovery process and drill in a rollover manner.
- \* Smart manufacturing: Establish a mechanism for preventing production equipment from virus and hacking, and strengthen production network security management system and monitoring.
- \* Information security training: Implement social engineering drills and conduct information security related training irregularly.

(4) Resources invested in information security management

Achievements in Promoting the Implementation of Enterprise Information Security Measures in 2022

- 1st quarter: Expanded the demand for wireless network application in production lines.
- 2nd quarter: Implemented and invested in the promotion of ISO27001 certification.
- 3rd quarter: Performed vulnerability scanning for information systems and executed social engineering drills. Additionally, executed the introduction of Microsoft 365 cloud services in response to the new state of office work,
- 4th quarter: Implemented plans to introduce the next-generation firewall, and optimize the physical environment of the information room to strengthen detection and block

malicious threat traffic.

(II) Infocomm security risk and countermeasures:

The Company has established an enterprise risk management mechanism and standard procedures for handling security incidents, and specified relevant processes and measures, including reporting procedures for security incidents, assigning personnel to handle major security incidents, assessing losses suffered and further necessary response measures, evaluating the potential impact of security risks on the Company and countermeasures, and complying with the basic security framework developed by the Group's General Management Office, in order to evaluate the impact on the Company's future development and financial operations.

(III) Losses, possible impacts from and implementation of countermeasures for major information security incidents in 2022 and up to March 30, 2023; if there is no reasonable estimate available, state the fact that it cannot be reasonably estimated: None.

**VII. Important Contracts**

Nature of the Contract	Counterparty	Contract start and end dates	Main contents	Restrictive clauses
Technology cooperation contract	Japan's Miwa Production Institute	July 9, 2007 to July 8, 2023	Miwa Production Institute provides guidance on the manufacturing technology for the # shaped beams and related assembly parts commissioned by China Motor to the Company.	None.
	Japan's Hirata Industries Co., Ltd.	July 31, 2007 to July 30, 2023 January 1, 2018 to December 31, 2023	Hirata Industries Co., Ltd. provides guidance on the manufacturing technology related to the front crossbeam, rear suspension metal parts used in the manufacturing of sedans, and assembly parts of the supporting heavy arm, lower arm and connecting rod commissioned by China Motor to the Company, as well as technical advice related to factory operation. In addition, Hirata Industries Co., Ltd. provides guidance on the manufacturing technology related to the GS41 trailing arm commissioned by China Motor to the Company since January 2018.	None.
	Japan's Takebe Iron Works	September 28, 2022 to September 27, 2025	Takebe Iron Works provides technical assistance in the manufacturing technology of the shells, shell metal parts and related assembly parts of trucks and buses commissioned by Kouzui Motors to the Company.	None.

## Six. Financial Status Overview

### I. Condensed balance sheet and comprehensive income statement for the past five years

#### (I) Condensed balance sheet and statement of comprehensive income - consolidated

##### 1. Condensed Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial information in the past five years				
		2018	2019	2020	2021	2022
Current asset		836,938	1,041,592	1,242,835	1,303,879	2,093,390
Investments accounted for using equity method		3,598,841	3,430,938	3,513,168	3,479,083	2,950,259
Property, plant and equipment		478,505	515,957	513,448	520,733	549,636
Intangible assets		2,089	1,093	1,868	3,448	2,030
Other assets		61,234	50,798	13,413	16,741	14,058
Total assets		4,977,607	5,040,378	5,284,732	5,323,884	5,609,373
Current liabilities	Before distribution	685,896	592,399	573,234	486,118	669,940
	After distribution	818,016	739,199	734,714	640,258	669,940
Non-current liabilities		178,573	339,243	387,522	398,845	319,622
Total liabilities	Before distribution	864,469	931,642	960,756	884,963	989,562
	After distribution	996,589	1,078,442	1,122,236	1,039,103	989,562
Equity attributable to owners of parent		4,113,138	4,108,736	4,323,976	4,438,921	4,619,811
Share capital		734,001	734,001	734,001	734,001	734,001
Capital surplus		1,251	1,251	1,251	1,251	1,251
Retained earnings	Before distribution	3,635,291	3,792,070	3,970,944	4,100,675	4,225,083
	After distribution	3,503,171	3,645,270	3,809,464	3,946,535	4,225,083
Other equity interest		(257,405)	(418,586)	(382,220)	(397,006)	(340,524)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	4,113,138	4,108,736	4,323,976	4,438,921	4,619,811
	After distribution	3,981,018	3,961,936	4,162,496	4,284,781	4,619,811

Note: The 2023 general shareholders' meeting is not yet held, and the profit distribution scheme is not yet determined, so the amount after 2022 distribution is the same as the amount before distribution.

##### 2. Condensed Comprehensive Income Statement

Unit: earnings per share in NT\$, others in NT\$ thousand

Item	Year	Financial information in the past five years				
		2018	2019	2020	2021	2022
Operating revenue		1,337,755	1,242,120	1,052,991	1,275,608	1,500,265
Gross profit from operations		135,927	121,206	92,241	103,894	147,501
Profit (loss) from operations		35,567	29,381	6,304	14,510	44,751
Non-operating income and expenses		503,422	392,075	403,842	361,566	294,379
Profit before tax		538,989	421,456	410,146	376,076	339,130
Profit from continuing operations		453,196	289,942	324,045	306,767	269,818
Loss from discontinued business		-	-	-	-	-
Profit (loss)		453,196	289,942	324,045	306,767	269,818
Other comprehensive income (loss after tax)		(129,075)	(162,224)	37,995	(30,342)	65,212
Total comprehensive income		324,121	127,718	362,040	276,425	335,030
Profit attributable to owners of parent		453,196	289,942	324,045	306,767	269,818
Profit attributable to non-controlling interest		-	-	-	-	-
Comprehensive profit or loss attributable to owners of parent		324,121	127,718	362,040	276,425	335,030
Comprehensive profit or loss attributable to non-controlling interest		-	-	-	-	-
Earnings per share		6.17	3.95	4.41	4.18	3.68

## (II) Condensed balance sheet and statement of comprehensive income - individual

## 1. Condensed Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial information in the past five years				
		2018	2019	2020	2021	2022
Current asset		657,318	451,922	544,258	515,945	837,541
Investments accounted for using equity method		3,829,833	4,054,883	4,212,538	4,266,538	4,205,624
Property, plant and equipment		478,505	515,957	513,448	520,733	549,636
Intangible assets		2,089	1,093	1,868	3,448	2,030
Other assets		20,101	18,779	13,413	16,741	14,058
Total assets		4,987,846	5,042,634	5,285,525	5,323,405	5,608,889
Current liabilities	Before distribution	677,551	591,920	572,751	485,639	669,456
	After distribution	809,671	738,720	734,231	639,779	669,456
Non-current liabilities		197,157	341,978	388,798	398,845	319,622
Total liabilities	Before distribution	874,708	933,898	961,549	884,484	989,078
	After distribution	1,006,828	1,080,698	1,123,029	1,038,624	989,078
Equity attributable to owners of parent		-	-	-	-	-
Share capital		734,001	734,001	734,001	734,001	734,001
Capital surplus		1,251	1,251	1,251	1,251	1,251
Retained earnings	Before distribution	3,635,291	3,792,070	3,970,944	4,100,675	4,225,083
	After distribution	3,503,171	3,645,270	3,809,464	3,946,535	4,225,083
Other equity interest		(257,405)	(418,586)	(382,220)	(397,006)	(340,524)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	4,113,138	4,108,736	4,323,976	4,438,921	4,619,811
	After distribution	3,981,018	3,961,936	4,162,496	4,284,781	4,619,811

Note: The 2023 general shareholders' meeting is not yet held, and the profit distribution scheme is not yet determined, so the amount after 2022 distribution is the same as the amount before distribution.

## 2. Condensed Comprehensive Income Statement

Unit: earnings per share in NT\$, others in NT\$ thousand

Item	Year	Financial information in the past five years				
		2018	2019	2020	2021	2022
Operating revenue		1,337,755	1,242,120	1,052,991	1,275,608	1,500,265
Gross profit from operations		135,927	121,206	92,241	103,894	147,501
Profit (loss) from operations		36,051	29,640	6,571	14,800	45,048
Non-operating income and expenses		504,153	391,816	403,575	361,276	251,800
Profit before tax		540,204	421,456	410,146	376,076	296,848
Profit from continuing operations		453,196	289,942	324,045	306,767	269,818
Loss from discontinued business		-	-	-	-	-
Profit (loss)		453,196	289,942	324,045	306,767	269,818
Other comprehensive income (loss after tax)		(129,075)	(162,224)	37,995	(30,342)	65,212
Total comprehensive income		324,121	127,718	362,040	276,425	335,030
Profit attributable to owners of parent		453,196	289,942	324,045	306,767	269,818
Profit attributable to non-controlling interest		-	-	-	-	-
Comprehensive profit or loss attributable to owners of parent		324,121	127,718	362,040	276,425	335,030
Comprehensive profit or loss attributable to non-controlling interest		-	-	-	-	-
Earnings per share		6.17	3.95	4.41	4.18	3.68

## (III) Names and audit opinions of the certifying CPAs for the past five years

Year	CPA firm name	CPA's name	Audit Opinion
2022	Deloitte Taiwan	Lilac Shue and Aaron Yang	Unqualified opinion
2021	Deloitte Taiwan	Lilac Shue and Aaron Yang	Unqualified opinion
2020	Deloitte Taiwan	Aaron Yang and Lilac Shue	Unqualified opinion plus other matters
2019	Deloitte Taiwan	Ching-Bin Shi and Lilac Shue	Unqualified opinion plus other matters
2018	Deloitte Taiwan	Lilac Shue and Shu-Wan Lin	Unqualified opinion plus other matters

## II. Financial analysis for the past five years

### (I) Consolidated financial ratio analysis

Item		Financial Analysis for the Past Five Years				
		2018	2019	2020	20201	2022
Financial Structure (%)	Debt to asset ratio	17.37	18.48	18.18	16.62	17.64
	Ratio of long-term funds to property, plant and equipment	896.90	862.08	917.62	929.03	898.67
Solvency	Current ratio	122.02	175.83	216.81	268.22	312.47
	Quick ratio	95.92	145.21	181.26	222.37	262.29
	Interest coverage ratio	283	241	196	355	219
Operating capacity	Receivables turnover (times)	7.66	6.67	4.95	6.02	6.22
	Average cash collection days	47.65	54.72	73.73	60.63	58.68
	Inventory turnover (times)	7.27	6.58	5.25	5.73	4.99
	Payables turnover (times)	4.24	3.84	3.52	4.42	4.29
	Average days of sales	50.21	55.47	69.52	63.70	73.15
	Property, plant and equipment turnover (times)	2.74	2.50	2.05	2.47	2.80
	Total assets turnover (times)	0.27	0.25	0.20	0.24	0.27
Profitability (%)	Return on assets	9.30	5.82	6.31	5.80	4.96
	Return on equity	11.33	7.05	7.69	7.00	5.96
	Ratio of profit before tax to paid-in capital	74.43	57.42	55.88	51.24	46.20
	Net profit margin	33.88	23.34	30.77	24.05	17.98
	Earnings per share (NT\$)	6.17	3.95	4.41	4.18	3.68
Cash flow (%)	Cash flow ratio	(7.80)	(13.21)	(21.45)	(0.21)	(9.95)
	Cash flow adequacy ratio	6.51	(21.25)	(48.29)	(51.74)	(48.18)
	Cash reinvestment ratio	(4.52)	(4.01)	(4.86)	(2.85)	(3.77)
Leverage	Operating leverage	2.03	2.27	7.57	4.31	2.23
	Financial leverage	1.06	1.06	1.50	1.08	1.04

Please explain the reasons for the changes in various financial ratios in the past two years. (not required if the increase or decrease does not reach 20%)

1. Interest coverage ratio and net profit ratio: mainly due to a decrease in profits from reinvested companies in the mainland automotive market due to a shortage of chips, resulting in a decrease in recognized investment returns.
2. Cash flow ratio and cash reinvestment ratio: mainly due to an increase in cash flows from operating activities.
3. Operating leverage: mainly due to an increase in net operating income.

## (II) Individual financial ratio analysis

Item		Financial Analysis for the Past Five Years				
		2018	2019	2020	2021	2022
Financial Structure %	Debt to asset ratio	17.54	18.52	18.19	16.62	17.63
	Ratio of long-term funds to property, plant and equipment	900.78	862.61	917.87	929.03	898.67
Solvency %	Current ratio	97.01	76.35	95.03	106.24	125.11
	Quick ratio	70.59	45.71	59.45	60.35	74.89
	Interest coverage ratio	284	241	196	355	192
Operating capacity	Receivables turnover (times)	7.66	6.67	4.95	6.02	6.22
	Average cash collection days	47.65	54.72	73.73	60.63	58.68
	Inventory turnover (times)	7.27	6.58	5.25	5.73	4.99
	Payables turnover (times)	4.24	3.84	3.52	4.42	4.29
	Average days of sales	50.21	55.47	69.52	63.70	73.15
	Property, plant and equipment turnover (times)	2.74	2.50	2.05	2.47	2.80
	Total assets turnover (times)	0.27	0.25	0.20	0.24	0.27
Profitability %	Return on assets	9.31	5.81	6.31	5.80	4.96
	Return on equity	11.33	7.05	7.69	7.00	5.96
	Ratio of profit before tax to paid-in capital	73.60	57.42	55.88	51.24	40.44
	Net profit margin	33.88	23.34	30.77	24.05	17.98
	Earnings per share (NT\$)	6.17	3.95	4.41	4.18	3.68
Cash flow %	Cash flow ratio	(3.76)	(10.10)	(9.85)	7.92	2.81
	Cash flow adequacy ratio	36.67	4.90	(19.48)	(22.26)	(12.61)
	Cash reinvestment ratio	(3.92)	(3.64)	(3.66)	(2.16)	(2.31)
Leverage	Operating leverage	2.01	2.26	7.30	4.25	2.22
	Financial leverage	1.06	1.06	1.47	1.08	1.04

Please explain the reasons for the changes in various financial ratios in the past two years. (not required if the increase or decrease does not reach 20%)

1. Quick ratio: mainly due to an increase in cash and accounts receivable.
2. Interest coverage ratio, ratio of pre-tax net profit to paid-in capital, and net profit ratio: mainly due to a decrease in profits from reinvested companies in the mainland automotive market due to a shortage of chips, resulting in a decrease in recognized investment returns.
3. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: mainly due to an decrease in cash flows from operating activities.
4. Operating leverage: mainly due to an increase in net operating income.

Note: Calculation formula

1. Financial structure

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

2. Solvency

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

3. Operating capacity

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

4. Profitability

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

5. Cash flow

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

6. Leverage

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

### III. Audit Committee's Review Report

#### Kian Shen Corporation Audit Committee's Review Report

The 2022 standalone and consolidated financial statements have been audited by auditors Lilac Shue and Aaron Yang of Deloitte & Touché. The reports, together with the business report and proposal for distribution of earnings, have been reviewed and determined to be correct and accurate by the Audit Committee. We hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review and approve.

To

2023 General Shareholders' Meeting of the Company

Kian Shen Corporation

Convener of the Auditing Committee:



March 30, 2023

**IV. Any financial distress experienced by the Company or its affiliated enterprise, and its impact on the Company's financial status in the past year and up to March 30, 2023: None.**

## Seven. Review and Analysis of Financial Status and Financial Performance and Risk Management

### I. Comparison and analysis of financial position

Unit: NT\$ thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current asset	2,109,390	1,303,879	789,511	61
Fixed asset	549,636	520,733	28,903	6
Long-term investment	2,950,259	3,479,083	(528,824)	(15)
Other assets	16,088	20,189	(4,101)	(20)
<b>Total assets</b>	<b>5,609,373</b>	<b>5,323,884</b>	<b>285,489</b>	<b>5</b>
Current liabilities	669,940	486,118	183,822	38
Non-current liabilities	319,622	398,845	(79,223)	(20)
<b>Total liabilities</b>	<b>989,562</b>	<b>884,963</b>	<b>104,599</b>	<b>8</b>
Share capital	734,001	734,001	-	-
Capital surplus	1,251	1,251	-	-
Retained earnings	4,225,083	4,100,675	124,408	3
Other equity interest	(340,524)	(397,006)	56,482	(14)
<b>Total equity</b>	<b>4,619,811</b>	<b>4,438,921</b>	<b>180,890</b>	<b>4</b>

Explanation of the reasons why the changes in assets, liabilities and shareholders' equity have exceeded 20% in the past two years:

1. The increase in current assets is due to an increase in both accounts receivable from related parties and inventory.
2. The decrease in other assets is due to a decrease in both deferred income tax assets and intangible assets.
3. The increase in current liabilities is due to an increase in notes and accounts payable.
4. The decrease in non-current liabilities is due to a decrease in deferred income tax liabilities.

### II. Financial performance analysis

#### (I) Comparison and analysis of financial performance

Unit: NT\$ thousand

Item \ Year	2022	2021	Increase or decrease	
			Amount	%
Operating revenue, net	1,500,265	1,275,608	224,657	18
Operating costs	1,352,764	1,171,714	181,050	15
Gross profit from operations	147,501	103,894	43,607	42
Operating expenses	102,750	89,384	13,366	15
Net operating income (loss)	44,751	14,510	30,241	208
Non-operating income and expenses	294,379	361,566	(67,187)	(19)
Profit before tax	399,130	376,076	23,054	6
Income tax benefits (expenses)	(69,312)	(69,309)	(3)	-
Profit	269,818	306,767	(36,949)	(12)
Other comprehensive income	65,212	(30,342)	95,554	315
Total comprehensive income	335,030	276,425	58,605	21

Analysis and explanation of the increase or decrease of over 20% in the past two years:

1. The increase in gross profit from operations and net operating profit is mainly due to the growth of operating revenue, the improvement of product sales profit structure, and the increase in profit.
2. The increase in other comprehensive income is mainly due to the impact of exchange rates, resulting in a relative increase in the shares of other comprehensive income using the equity method and exchange differences on translation.
3. The increase in comprehensive profit and loss this year is mainly due to an increase in other comprehensive income.

### III. Cash flow analysis

#### (I) Comparison and analysis of cash flow change

Unit:

NT\$ thousand

Beginning cash balance	Expected net cash flow from operating activities for the whole year	Expected net cash flow from investing and financing activities for the whole year	Expected cash surplus (shortfall)	Remedy for cash shortfall	
				Investment plan	Wealth management plan
777,255	(62,920)	635,737	1,350,072	-	-
1. Operating activities: The increase in net cash flow from operating activities is due to the increase in receivables from related parties and inventory. 2. Investment and financing activities: The increase in net cash inflows from investment and financing activities is due to an increase in earnings allocation of investment from mainland China.					

#### (II) Cash liquidity analysis for the coming year

Unit:

NT\$ thousand

Beginning cash balance	Expected net cash flow from operating activities for the whole year	Expected net cash flow from investing and financing activities for the whole year	Expected cash surplus (shortfall)	Remedy for cash shortfall	
				Investment plan	Wealth management plan
1,350,072	113,042	(10,342)	1,452,772	-	-
1. Analysis of cash flow change in the coming year: (1) Operating activities: The expected net cash inflow from operating activities is NT\$113,042 thousand. (2) Investment and financing activities: The expected net cash flow from investment and financing activities is NT\$10,342 thousand, mainly from cash dividends, capital expenditures and refunds. 2. Remedy for cash shortfall and liquidity analysis: None.					

### IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company

The significant capital expenditure in 2022 was NT\$80.21 million, and the expected benefits are as follows:

- (I) Introduction of new products: Increase the Company's product market share, and increase revenue and sales volume.
- (II) Introduction of components: improve the self-production rate of parts and reduce production costs.
- (III) Strengthen sales: Increase the Company's and products' name recognition, improve after-sales service quality, and promote sales.
- (IV) Improve productivity: Update and automate production line equipment, rationalize layout, improve production capacity and enhance technology.
- (V) Improving quality: Enhance the comprehensive quality assurance capabilities of third-party manufacturers, implement the comprehensive quality assurance system, and enhance customer satisfaction with product quality.
- (VI) Improving the working environment: Upgrade computer equipment, replace office equipment and official vehicles, plan and construct the entire factory office, improve air quality, and add pollution prevention and control equipment.
- (VII) Reducing infocomm security risks: Strengthen system security and data protection, and continuously monitor and maintain information security.

**V. Investment policy in the past year, main reasons for profit or loss, improvement plan and investment plan for the coming year**

Reinvested company	Investment amount	Policy	Main reasons for profit or loss	Improvement plan	Other future investment plans
Fuzhou Fuxiang Automobile Industry Co., Ltd.	USD 2,835 thousand	Investment according to the limit set by the board meeting	The new business has entered mass production, production capacity has increased, and fixed costs are effectively shared; the profit was NT\$4,158 thousand.	—	Promote new business and meet existing production capacity, and continuously promote cost reduction activities.
Guangzhou Enten Yulong Transmission System Co., Ltd.	USD 5,000 thousand	Investment according to the limit set by the board meeting	Although sales have grown, the cost of materials and personnel has also increased, and the profit has decreased to NT\$90,622 thousand.	—	Promote new businesses and meet existing production capacity.
Xiamen Jinlong Kian Shen Vehicle Shell Co., Ltd.	USD 1,527 thousand	Investment according to the limit set by the board meeting	The profit structure of product sales has improved, and the operation has turned into a profit; the profit was NT\$80 thousand.	Develop new customers and businesses, improve production efficiency, and reduce procurement costs.	—
Xiangyang Enten Yulong Transmission System Co., Ltd.	USD13,600 thousand	Investment according to the limit set by the board meeting	Sales have declined, production volume has decreased, and the profits have decreased to NT\$66,719 thousand.	—	Commit to improving production capacity and continuously promote activities to reduce controllable costs.

**VI. Risk analysis**

- (I) Impact of interest rate and exchange rate changes and inflation on the Company's profit and loss, and countermeasures in the past year and as of March 30, 2023: The location of the Company's reinvested company is in mainland China, and changes in the RMB exchange rate have a significant impact on investment returns. If RMB depreciates by 5% against New Taiwan dollars, the pre tax profit will decrease by NT\$13.68 million.
- (II) Policies on high-risk and highly leveraged investments, loans to others, endorsements/guarantees, and trading of derivatives in the past year and as of March 30, 2023, the main reasons for profit or loss incurred and future countermeasures:
1. The Company has not been engaged in high-risk or highly leveraged investments.
  2. The Company has not extended loans to others, provided endorsements/guarantees or been engaged in derivative trading.
- (III) Future R&D plans and expected R&D expenses:
1. In addition to continuously participating in the development of new vehicles by various car manufacturers, in order to comply with the trend of energy conservation and carbon reduction, the Company actively collaborates with car manufacturers to develop electric bus shells. To improve product technology and respond to the future market demand for lightweight products, we plan to invest in the research and development of lightweight shells and rear body.
  2. The estimated R&D investment cost of the Company this year is NT\$22.69 million.
- (IV) Impact of changes in important domestic and international policies and laws on the Company's finance and business in the past year and up to March 30, 2023, and countermeasures: The Company has been paying a high degree of attention to, and keeping an appropriate coping ability on the development of domestic and foreign political and economic situations. In recent years, important domestic and foreign policies and law changes have not had a significant impact on the Company's finance and business.
- (V) Impact of technological (include infocomm security risk) and industrial changes on the Company's

finance and business in the past year and up to March 30, 2023, and countermeasures:

- (VI) Impact of corporate image change on corporate crisis management in the past year and up to March 30, 2023, and countermeasures: The Company has a good corporate image, and there have been no significant changes in corporate crisis management in the past year.
- (VII) Expected benefits, risks and countermeasures in relation to mergers and acquisitions in the past year and up to March 30, 2023: Not applicable.
- (VIII) Expected benefits, risks and countermeasures in relation factory expansion in the past year and up to March 30, 2023: Not applicable.
- (IX) Risks and countermeasures in relation to concentrated sales or purchases in the past year and up to March 30, 2023: The Company is committed to diversifying procurement sources and vigorously striving for various vehicle shell businesses for low-floor buses, electric buses, electric locomotives, medium-sized bus and shuttle buses, in order to expand new businesses and markets, and reduce the risk of excessive concentration of suppliers and customers.
- (X) Impact, risk and countermeasures in relation to major transfer of shareholding by directors, independent directors, or shareholders with more than 10% shareholding in the past year and up to March 30, 2023: Not applicable.
- (XI) Impact, risk and countermeasures in relation to the change of management right in the past year and up to March 30, 2023: Not applicable.
- (XII) Litigation and non-contentious cases in the past year and up to March 30, 2023: None.
- (XIII) Other material risks in the past year and up to March 30, 2023 and countermeasures:

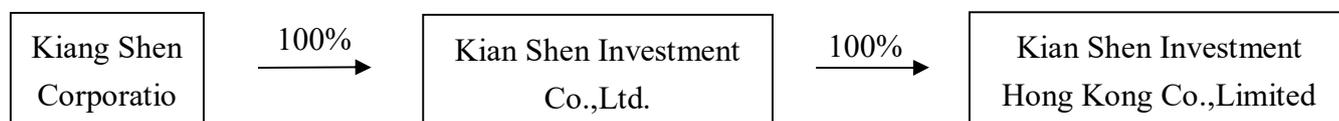
**VII. Other important matters: None.**

## Eight. Special Disclosures

### I. Information of Affiliated Enterprises

#### (I) Consolidated Business Report of Affiliated Enterprises

##### 1. Organization Chart of Affiliated Enterprises



##### 2. Information of Affiliated Enterprises

Unit: NT\$ thousand unless otherwise specified

Company name	Date of establishment	Address	Paid-in capital	Key business or product
Kian Shen Investment Co.,Ltd.	2002.03.13	TrustNet Chambers,P.O.Box3444,Road Town,Tortola,British Virgin Islands	USD10,296 thousand	General investment
Kian Shen Investment Hong Kong Co.Limited	2007.11.15	Suite 2303,23rd Floor,Great Eagle Center,23 Harbour Road,Wanchai,Hong Kong.	USD25,907 thousand	General investment

3. For those presumed to have controlling or subordinate relationship, information on the same shareholders: None.

##### 4. Information on directors, supervisors and presidents of various affiliated enterprises

Company name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Kian Shen Investment Co.,Ltd.	Director	Kiang Shen Corporation Representative: Chao-Wen Chen	10,296 thousand shares	100%
Kian Shen Investment Hong Kong Co.Limited	Director	Kian Shen Investment Co.,Ltd. Representative: Chao-Wen Chen	25,907 thousand shares	100%

##### 5. Operation status of affiliated enterprises

Unit: NT\$ thousand, but NT\$ for earnings per share

Company name	capital	Total assets	Total liabilities	Net value	Operating revenue	Net operating income	Profit or loss (after tax)	December 31, 2022
								Earnings per share (NT\$)
Kian Shen Investment Co.,Ltd	USD10,296 thousand	4,170,713	88,645	4,082,068	—	(94)	245,687	23.86
Kian Shen Investment Hong Kong Co.Limited	USD25,907 thousand	4,201,297	118,988	4,082,309	—	(202)	213,264	8.23

(II) Consolidated financial statements of affiliated enterprises: The same as the consolidated statements of parent and subsidiary companies.

(III) Relationship Report

1. Declaration on Consolidated Financial Statements of Affiliated Enterprises:

Declaration on Consolidated 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 of 2022 (from January 1, 2022 to December 31, 2022) are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standard 10 “Consolidated Financial Statements”, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliated enterprises.

We hereby declare the above.

Company name: Kian Shen Corporation



Principal: Chao-Wen Chen



March 30, 2023

2. Affiliation report for the past year

Kian Shen Corporation  
Declaration on Affiliation Report

The Company's Affiliation Report for the year of 2022 (from January 1, 2022 to December 31, 2022) was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises", and there is no significant discrepancy between the disclosed information and the relevant information disclosed in the notes to the financial report in the period above.

We hereby declare the above.

Company name: Kian Shen Corporation



Principal: Chao-Wen Chen



March 30, 2023

### 3. CPA's Review Report on the Affiliation Report

March 30, 2023 Chin-Shen No. 11202742

Recipient: Kian Shen Corporation

Subject: Opinion on the declaration of no significant discrepancy in the information related to your company's Affiliation Report for 2022.

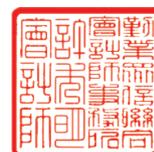
Explanation:

- I. Your company declared that your Affiliation Report for the year of 2022 (from January 1, 2022 to December 31, 2022) which was prepared on March 30, 2023 was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises", and there is no significant discrepancy between the disclosed information and the relevant information disclosed in the notes to the financial report in the period above. The Declaration is herewith attached.
- II. We have compared the Affiliation Report prepared by your company against the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" and with the notes to your company's consolidated financial report for 2022, and have not found any significant discrepancies in the Declaration above.

Deloitte Taiwan

Lilac Shue, CPA

許秀明



Chi-Sheng, CPA

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4. Overview of the relationship with affiliated enterprises and controlled companies

Unit: share; %

Name of controlled company	Reason for controlling	Shareholding and pledge of controlled company			Status of the controlled company's dispatch of personnel to serve as director, supervisor or manager	
		Number of shares held	Shareholding ratio	Number of shares pledged	Title	Name
China Motor Corporation	The President is dispatched by China Motor Corporation	32,201,367	43.87	—	Chairman Director and President	Chao-Wen Chen Chiung-Chih Tseng

5. Purchase and sales transactions

Unit: NT\$ thousand; %

Status of trading with controlled companies				Conditions of trading with controlled companies		General trading conditions		Reasons for difference	Accounts and notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase (sales)	Amount	Ratio to total purchase (sales)	Gross profit from sales	Unit price (NT\$)	Credit period	Unit price (NT\$)	Credit period		Balance	Ratio to total accounts and notes receivable (payable)	Amount	Method of disposal	Amount of allowance for bad debts	
Sales	603,800	41	43,681	—	45 days from the following month after delivery	—	30~95 days from the following month after delivery	—	109,327	43	—	—	—	

6. Trading of assets: None.

7. Loans to others: None.

8. Lease of assets: None.

9. Endorsement/guarantee: None.

10. Derivative trading information: None.

**II. Handling of private placement securities in 2022 and up to March 30, 2023: None.**

**III. Subsidiaries' holding or disposal of the Company's shares in 2022 and up to March 30, 2023: None.**

**IV. Events with a significant impact on the shareholders' equity or share price in 2022 and up to March 30, 2023: None.**

**V. Other necessary supplementary explanations: None.**

## **Appendix 1**

### **Kian Shen Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## **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 No. 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 have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

KIAN SHEN CORPORATION

By:

---

Chairman

March 30, 2023

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Kian Shen Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Kian Shen Corporation and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation 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 these 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

### Sales Revenue

The Group's sales revenue is the main indicator of financial and business performance evaluated by investors and management. When considering revenue recognition, there is the possibility of an inherently high risk of fraud, and the management may be pressured to achieve the financial target; therefore, we identified the risk of the occurrence of sales revenue a key audit matter in 2022.

Our audit procedures related to the abovementioned key audit matter include evaluating the design of relevant internal control related to the sales revenue and the effectiveness of the implementation of the internal control; sampling from details of the sales revenue, then tracing to customer statements, shipping documents and collection records to ensure the occurrence of the sales revenue.

### **Other Matter**

We have also audited the parent company only financial statements of Kian Shen Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion with other matter paragraph.

### **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 Reports by Securities Issuers, and 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, 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 operations, 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 objectives are 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 conclusions 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 and appropriate audit evidence regarding the financial information of 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 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 reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key 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.

The engagement partners on the audits resulting in this independent auditors' report are Shio-Ming Shue and Chi-Sheng Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2023

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*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 consolidated financial statements shall prevail.*

# KIAN SHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,350,072	24	\$ 777,255	14
Financial assets at fair value through profit or loss - current (Notes 7 and 25)	15,004	-	20,002	-
Financial assets at amortized cost - current (Note 8)	-	-	8,724	-
Notes and accounts receivable, net (Notes 9 and 19)	39,131	1	35,025	1
Trade receivables from related parties (Notes 9, 19 and 26)	256,865	4	151,103	3
Inventories (Note 10)	330,245	6	212,222	4
Prepayments	5,970	-	10,662	-
Other current assets	96,103	2	88,886	2
Total current assets	2,093,390	37	1,303,879	24
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Note 12)	2,950,259	53	3,479,083	66
Property, plant and equipment (Note 13)	549,636	10	520,733	10
Right-of-use assets (Note 14)	203	-	971	-
Intangible assets	2,030	-	3,448	-
Deferred tax assets (Note 21)	2,289	-	4,142	-
Long-term prepayments	10,071	-	11,157	-
Refundable deposits	150	-	471	-
Net defined benefit assets (Note 17)	1,345	-	-	-
Total non-current assets	3,515,983	63	4,020,005	76
<b>TOTAL</b>	<b>\$ 5,609,373</b>	<b>100</b>	<b>\$ 5,323,884</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 70,000	1	\$ 80,000	2
Contract liabilities - current (Notes 19 and 26)	64,498	1	49,320	1
Notes and accounts payable (Note 16)	281,472	5	182,441	3
Trade payables to related parties (Note 26)	92,257	2	74,548	1
Other payables	75,281	1	62,974	1
Current tax liabilities (Note 21)	49,735	1	32,348	1
Lease liabilities - current (Note 14)	206	-	776	-
Long-term loans due within one year (Note 15)	17,187	-	-	-
Other current liabilities	19,304	1	3,711	-
Total current liabilities	669,940	12	486,118	9
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 15)	51,563	1	68,750	2
Deferred tax liabilities (Note 21)	267,428	5	320,131	6
Lease liabilities - non-current (Note 14)	-	-	206	-
Net defined benefit liabilities (Note 17)	-	-	9,458	-
Guarantee deposits	631	-	300	-
Total non-current liabilities	319,622	6	398,845	8
Total liabilities	989,562	18	884,963	17
<b>EQUITY (Note 18)</b>				
Ordinary shares	734,001	13	734,001	14
Capital surplus - donated	1,251	-	1,251	-
Retained earnings				
Legal reserve	650,273	11	621,152	12
Special reserve	397,006	7	382,220	7
Unappropriated earnings	3,177,804	57	3,097,303	58
Total retained earnings	4,225,083	75	4,100,675	77
Exchange differences on translating the financial statements of foreign operations	(340,524)	(6)	(397,006)	(8)
Total equity	4,619,811	82	4,438,921	83
<b>TOTAL</b>	<b>\$ 5,609,373</b>	<b>100</b>	<b>\$ 5,323,884</b>	<b>100</b>

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

## KIAN SHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 26)				
Net sales	\$ 1,487,347	99	\$ 1,264,880	99
Other operating revenue	<u>12,918</u>	<u>1</u>	<u>10,728</u>	<u>1</u>
Total operating revenue	1,500,265	100	1,275,608	100
OPERATING COSTS (Notes 10, 17, 20 and 26)	<u>1,352,764</u>	<u>90</u>	<u>1,171,714</u>	<u>92</u>
GROSS PROFIT	<u>147,501</u>	<u>10</u>	<u>103,894</u>	<u>8</u>
OPERATING EXPENSES (Notes 17, 20 and 26)				
Selling and marketing expenses	3,187	-	2,673	-
General and administrative expenses	76,177	5	63,256	5
Research and development expenses	<u>23,386</u>	<u>2</u>	<u>23,455</u>	<u>2</u>
Total operating expenses	<u>102,750</u>	<u>7</u>	<u>89,384</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>44,751</u>	<u>3</u>	<u>14,510</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	16,171	1	9,452	1
Other income	1,489	-	1,035	-
Other gains or losses (Note 20)	3,734	-	(9,441)	(1)
Financial costs (Note 20)	(1,561)	-	(1,088)	-
Share of profit or loss of joint ventures accounted for using equity method (Note 12)	<u>274,546</u>	<u>19</u>	<u>361,608</u>	<u>28</u>
Total non-operating income and expenses	<u>294,379</u>	<u>20</u>	<u>361,566</u>	<u>28</u>
PROFIT BEFORE INCOME TAX	339,130	23	376,076	29
INCOME TAX EXPENSE (Note 21)	<u>(69,312)</u>	<u>(5)</u>	<u>(69,309)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>269,818</u>	<u>18</u>	<u>306,767</u>	<u>24</u>

(Continued)

## KIAN SHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 10,912	-	\$ (2,936)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,182)	-	587	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	3,382	-	(1,501)	-
Share of the other comprehensive income (loss) of joint ventures accounted for using the equity method	<u>53,100</u>	<u>4</u>	<u>(26,492)</u>	<u>(2)</u>
Comprehensive income (loss) for the year	<u>65,212</u>	<u>4</u>	<u>(30,342)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
	<u>\$ 335,030</u>	<u>22</u>	<u>\$ 276,425</u>	<u>22</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 269,818</u>	<u>18</u>	<u>\$ 306,767</u>	<u>24</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 335,030</u>	<u>22</u>	<u>\$ 276,425</u>	<u>22</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.68</u>		<u>\$ 4.18</u>	
Diluted	<u>\$ 3.67</u>		<u>\$ 4.18</u>	

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

(Concluded)

## KIAN SHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars Unless Stated Otherwise)

	Equity Attributable to Owners of the Corporation										
	Ordinary Shares		Retained Earnings				Unappropriated Earnings		Other Equity		Total Equity
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Operations	-		
BALANCE AT JANUARY 1, 2021	73,400	\$ 734,001	\$ 1,251	\$ 588,585	\$ 418,586	\$ 2,963,773	\$ (13,207)	\$ (369,013)	\$ 4,323,976		
Appropriation of the 2020 earnings				32,567		(32,567)					
Legal reserve						(161,480)			(161,480)		
Cash dividends distributed by the Corporation - \$2.2 per share					(36,366)	36,366					
Reversal of special reserve					(36,366)	(157,681)			(161,480)		
Net profit for the year ended December 31, 2021						306,767			306,767		
Other comprehensive loss for the year ended December 31, 2021, net of income tax						(2,349)		(27,993)	(30,342)		
Total comprehensive income for the year ended December 31, 2021						304,418		(27,993)	276,425		
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates						(13,207)	13,207				
BALANCE AT DECEMBER 31, 2021	73,400	734,001	1,251	621,152	382,220	3,097,303	-	(397,006)	4,438,921		
Appropriation of the 2021 earnings				29,121		(29,121)					
Legal reserve						(14,786)			-		
Special reserve					14,786	(154,140)			-		
Cash dividends distributed by the Corporation - \$2.1 per share						(198,047)			(154,140)		
Net profit for the year ended December 31, 2022						269,818			269,818		
Other comprehensive income for the year ended December 31, 2022, net of income tax						8,730		56,482	65,212		
Total comprehensive income for the year ended December 31, 2022						278,548		56,482	335,030		
BALANCE AT DECEMBER 31, 2022	73,400	\$ 734,001	\$ 1,251	\$ 650,273	\$ 397,006	\$ 3,177,804	\$ -	\$ (340,524)	\$ 4,619,811		

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

# KIAN SHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 339,130	\$ 376,076
Adjustments for:		
Depreciation expense	52,436	46,286
Amortization expense	2,411	1,787
Net gain on fair value change of financial assets at fair value through profit or loss	(154)	(43)
Interest expense	1,554	1,062
Interest income	(16,171)	(9,452)
Share of profit of joint ventures accounted for using the equity method	(274,546)	(361,608)
(Gain) loss on disposal of property, plant and equipment	(9)	1,414
Write-down of inventories and loss of inactive stock	500	2,000
Unrealized loss on foreign currency exchange	153	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	5,152	(19,959)
Notes and accounts receivable	(4,106)	(21,511)
Trade receivables from related parties	(105,902)	72,990
Inventories	(118,523)	(17,753)
Prepayments	4,692	(3,350)
Other current assets	728	(912)
Notes and accounts payable	99,018	(14,363)
Trade payables to related parties	17,989	(1,557)
Other payables	12,273	(9,522)
Contract liabilities	15,178	19,054
Other current liabilities	14,949	1,433
Net defined benefit plans	109	(7,505)
Cash generated from operations	46,861	54,567
Interest paid	(1,513)	(1,069)
Income tax paid	(112,015)	(54,530)
Net cash used in operating activities	<u>(66,667)</u>	<u>(1,032)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in financial assets at amortized cost	8,724	41,293
Decrease (increase) in long-term prepayments	515	(36,872)
Acquisition of property, plant and equipment	(80,247)	(24,384)
Proceeds from disposal of property, plant and equipment	256	374
Acquisition of intangible assets	(993)	(3,367)
Decrease in other financial assets	-	261,137
Decrease in refundable deposits	321	-
Interest received	15,284	9,709
Dividends from joint ventures received	856,469	369,200
Net cash generated from investing activities	<u>800,329</u>	<u>617,090</u>

(Continued)

# KIAN SHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (10,000)	\$ (20,000)
Decrease in short-term bills payable	-	(40,000)
Repayments from long-term borrowings	-	(25,000)
Increase (decrease) in guarantee deposits	331	(50)
Repayment of the principal portion of lease liabilities	(784)	(877)
Cash dividends paid	<u>(154,140)</u>	<u>(161,480)</u>
Net cash used in financing activities	<u>(164,593)</u>	<u>(247,407)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>3,748</u>	<u>101</u>
INCREASE IN CASH AND CASH EQUIVALENTS	572,817	368,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>777,255</u>	<u>408,503</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,350,072</u>	<u>\$ 777,255</u>

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

(Concluded)

# KIAN SHEN CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Kian Shen Corporation (the “Corporation”) was established in May 1963 in Taoyuan City, Taiwan. The Corporation is mainly engaged in the manufacture and sale of automobile body beams, stamping molds, and woodworking products.

Kian Shen Investment Co., Ltd. (KSI) was incorporated in the British Virgin Islands in March 2002, and the Group’s shareholding ratio is 100%. Kian Shen Investment Hong Kong Co., Limited (KSIHK) was incorporated in Hong Kong in January 2008 and is a 100% subsidiary of KSI. All of the above subsidiaries are engaged in investment businesses.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TWSE) since May 1999.

The Corporation’s parent company is China Motor Corporation, which held 44% of the Corporation’s ordinary shares at the end of 2022 and 2021.

The consolidated financial statements are presented in the Group’s functional currency of New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Corporation and its subsidiaries (collectively referred to as the “Group”) were approved by the Corporation’s board of directors on March 10, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. 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 for the first time in the fiscal year 2022 did not have material impact on the Group’s accounting policies and has not had a significant impact on the Group’s individual financial position and individual financial performance.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments 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 prospectively for annual reporting periods beginning on or after January 1, 2023.

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

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

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of the aforementioned standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments 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
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of 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 of the application of the aforementioned standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs issued into effect by the FSC.

- b. 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 based on 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); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. 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; 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. 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). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

For the details of subsidiaries, percentage of shareholding and operating items, please refer to Note 11 and Table 4.

e. 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.

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 in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Group's foreign operations (including subsidiaries and joint ventures in other countries) that are prepared using functional currencies which are different from the currency of the Group are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year, and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Group as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, molds, finished goods and work in progress, 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.

g. Investment in joint ventures

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in joint ventures.

Under the equity method, investments in a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. The Group also recognizes the changes in the Group's share of the equity of joint venture attributable to the Group.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any assets that forms part of the carrying amount of an investment, including goodwill. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

h. 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.

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 estimate 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.

i. Intangible assets

1) Acquired singly

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 the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition

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.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

k. Financial instruments

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

Financial assets and financial liabilities 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 FVTPL) 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 FVTPL are recognized immediately in profit or loss.

#### 1) Financial assets

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

##### a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### i. Financial assets at FVTPL

Financial assets at FVTPL are financial assets mandatorily designated as at FVTPL, and include investments in equity instruments that do not meet the criteria of financial assets at amortized cost or investments in equity instruments at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and 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 25.

##### ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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, debt instruments, notes and accounts receivable (including related parties), other receivables and guarantee deposits (included in other non-current assets), 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.

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.

##### b) 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.

The impairment loss of all financial assets which are held by the Group is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) 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.

2) Financial liabilities

a) Subsequent measurement

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

b) 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.

1. 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 sale of goods

Revenue from sale of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has control over the goods and performance obligations are satisfied. Accounts receivable are recognized concurrently.

## 2) Revenue from technology supply

Revenue from technology supply is recognized in accordance with the terms of the technical service agreement, whereby the customer simultaneously acquires and consumes the performance benefits, based on production, sales, and other measurement methods for determining the royalty fee.

## m. Leases

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

### 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 before the commencement date. 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 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, which comprise fixed payments and variable lease payments which depend on an index or a rate. 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 Group uses the lessee's incremental borrowing rate.

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, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, 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 balance sheets.

## n. Borrowing costs

Borrowing costs directly attributable to an 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## o. 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 service.

## 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services 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 past 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, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

## p. 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 each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax 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 and interests in joint ventures, 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 and interests are recognized only to the extent that it is probable that there will be sufficient taxable profit 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 profit 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.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on 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 has invested consider the possible impact of the recent development of COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, 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.

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of products of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Income taxes

The income tax is amortized over periods. Temporary differences and unused tax credits that are deductible are recognized as deferred income tax assets, while the income tax effects of taxable temporary differences are recognized as deferred income tax liabilities. As of December 31, 2022 and 2021 the taxable temporary differences associated with investments in subsidiaries and joint ventures for which no deferred tax liabilities have been recognized were \$575,575 thousand and \$523,203 thousand, respectively. If these temporary differences were to reverse in the foreseeable future, it could result in significant income tax expense impacts.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash		
Cash on hand	\$ 120	\$ 148
Checking accounts and demand deposits	238,829	47,255
Cash equivalents		
Time deposits	<u>1,111,123</u>	<u>729,852</u>
	<u>\$ 1,350,072</u>	<u>\$ 777,255</u>

The interest rate intervals of cash in banks at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Demand deposits	0.001%-1.05%	0.001%-0.3%
Time deposits	1.9%-2.85%	0.25%-2.64%

The credit risk management policy adopted by the Group involves transactions with financially sound financial institutions. The Group assesses impairment losses on cash and cash equivalents and financial assets measured at amortized cost based on an expected credit loss model. As the credit risk of cash and cash equivalents and financial assets measured at amortized cost is low, no impairment loss is recognized based on a 12-month expected credit loss assessment.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 15,004</u>	<u>\$ 20,002</u>

## 8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Restricted foreign exchange deposit account for overseas funds	<u>\$ -</u>	<u>\$ 8,724</u>

The rate of repatriation of offshore funds is 0.3% per annum as of December 31, 2021.

Refer to Note 6 for information relating to credit risk management and impairment.

## 9. NOTES AND NET ACCOUNTS RECEIVABLE (INCLUDES RELATED PARTIES)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>3</u>	\$ <u>519</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 298,454	\$ 188,070
Less: Allowance for impairment loss	<u>(2,461)</u>	<u>(2,461)</u>
	<u>\$ 295,993</u>	<u>\$ 185,609</u>

### Notes and trade receivables

The average credit period for sales of goods is 30-95 days. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining 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 at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default records of the customer and the customer's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence 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 aging of receivables was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
0 days	\$ 289,328	\$ 188,581
More than 1 to 60 days	9,118	-
More than 61 to 90 days	3	-
Overdue 91 days	<u>8</u>	<u>8</u>
Gross carrying amount	298,457	188,589
Loss allowance (Lifetime ECLs)	<u>(2,461)</u>	<u>(2,461)</u>
Amortized cost	<u>\$ 295,996</u>	<u>\$ 186,128</u>

As of December 31, 2022 and 2021, the balance of the allowance for losses was \$2,461 thousand.

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 79,554	\$ 28,893
Work in progress	76,744	58,127
Raw materials	87,801	58,296
Molds	<u>86,146</u>	<u>66,906</u>
	<u>\$ 330,245</u>	<u>\$ 212,222</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cost of inventories sold	\$ 1,352,264	\$ 1,169,714
Write-down of inventories and loss of inactive stock	<u>500</u>	<u>2,000</u>
	<u>\$ 1,352,764</u>	<u>\$ 1,171,714</u>

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

<b>Investor</b>	<b>Investee</b>	<b>Main Business</b>	<b>Combined Shareholding Ratio (%)</b>	
			<b>December 31</b>	
			<b>2022</b>	<b>2021</b>
Kian Shen Corporation	Kian Shen Investment Co., Ltd.	Investment	100	100
Kian Shen Investment Co., Ltd.	Kian Shen Investment Hong Kong Co., Limited	Investment	100	100

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<b>Material Joint Ventures</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	\$ 1,415,798	\$ 1,803,040
Fuzhou Fushiang Motor Co., Ltd.	369,516	481,849
Xiamen King-Long Kian-Shen Frame Co., Ltd.	185,006	192,336
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	<u>979,939</u>	<u>1,001,858</u>
	<u>\$ 2,950,259</u>	<u>\$ 3,479,083</u>

The percentage of shareholding by material joint ventures is as follows

Name of Associate	For the Year Ended December 31	
	2022	2021
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	40%	40%
Fuzhou Fushiang Motor Co., Ltd.	35%	35%
Xiamen King-Long Kian-Shen Frame Co., Ltd.	50%	50%
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	40%	40%

For the information of business nature, main business locations and country of incorporation of the above joint venture, please refer to Table 5 “Information on Investments in Mainland China”.

All the joint ventures are accounted for using the equity method.

The summarized financial information below represents amounts shown in the joint ventures’ consolidated financial statements prepared in accordance with IFRSs and reflects adjustments made when the equity method of accounting was applied.

Guangzhou NTN-Yulon Drivertrain Co., Ltd.

	December 31	
	2022	2021
Cash and cash equivalents	<u>\$ 2,063,818</u>	<u>\$ 2,833,181</u>
Current assets	\$ 4,244,144	\$ 5,158,223
Non-current assets	617,560	682,425
Current liabilities	(1,320,579)	(1,333,048)
Non-current liabilities	<u>(1,630)</u>	<u>-</u>
Equity	3,539,495	4,507,600
Proportion of the Group’s ownership	<u>40%</u>	<u>40%</u>
Carrying amount and equity held by the Group	<u>\$ 1,415,798</u>	<u>\$ 1,803,040</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 4,655,839</u>	<u>\$ 5,473,551</u>
Depreciation and amortization	<u>\$ (142,826)</u>	<u>\$ (145,361)</u>
Interest revenue	<u>\$ 79,431</u>	<u>\$ 77,165</u>
Income tax expense	<u>\$ (41,831)</u>	<u>\$ (73,936)</u>
Net profit for the year	<u>\$ 400,730</u>	<u>\$ 595,170</u>
Total comprehensive income for the year	<u>\$ 400,730</u>	<u>\$ 595,170</u>
Dividends received	<u>\$ 575,412</u>	<u>\$ 260,746</u>

Fuzhou Fushiang Motor Co., Ltd.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 389,993	\$ 136,277
Current assets	\$ 2,139,035	\$ 1,490,489
Non-current assets	954,336	747,837
Current liabilities	<u>(2,037,611)</u>	<u>(861,615)</u>
Equity	1,055,760	1,376,711
Proportion of the Group's ownership	<u>35%</u>	<u>35%</u>
Carrying amount and equity held by the Group	<u>\$ 369,516</u>	<u>\$ 481,849</u>

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 2,340,880	\$ 1,493,590
Depreciation and amortization	\$ (134,251)	\$ (126,452)
Interest revenue	\$ 4	\$ 7,705
Interest expense	\$ (26,315)	\$ -
Income tax expense	\$ -	\$ (7,702)
Net profit for the year	\$ 18,385	\$ 25,540
Total comprehensive income for the year	\$ 18,385	\$ 25,540
Dividends received	\$ 126,248	\$ 30,387

Xiamen King-Long Kian-Shen Frame Co., Ltd.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 60,449	\$ 71,553
Current assets	\$ 624,089	\$ 680,774
Non-current assets	111,358	119,200
Current liabilities	(333,557)	(383,863)
Non-current liabilities	<u>(31,877)</u>	<u>(31,438)</u>
Equity	370,013	384,673
Proportion of the Group's ownership	<u>50%</u>	<u>50%</u>
Carrying amount and equity held by the Group	<u>\$ 185,006</u>	<u>\$ 192,336</u>

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ 354,846	\$ 357,863
Depreciation and amortization	\$ (32,446)	\$ (35,079)
Interest revenue	\$ 10,529	\$ 12,581
Interest expense	\$ (16,255)	\$ (19,042)
Income tax expense	\$ (837)	\$ 752
Net loss for the year	\$ (20,392)	\$ (31,409)
Total comprehensive loss	\$ (20,392)	\$ (31,409)

Xiangyang NTN-Yulon Drivertrain Co., Ltd.

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,189,852	\$ 1,213,223
Current assets	\$ 2,212,320	\$ 2,230,141
Non-current assets	856,829	899,469
Current liabilities	(600,745)	(606,164)
Non-current liabilities	<u>(18,558)</u>	<u>(18,800)</u>
Equity	2,449,846	2,504,646
Proportion of the Group's ownership	<u>40%</u>	<u>40%</u>
Carrying amount and equity held by the Group	<u>\$ 979,939</u>	<u>\$ 1,001,858</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Operating revenue	\$ 2,773,553	\$ 2,605,791
Depreciation and amortization	<u>(117,011)</u>	<u>(107,424)</u>
Interest revenue	<u>26,270</u>	<u>21,937</u>
Interest expense	<u>(659)</u>	<u>(522)</u>
Income tax expense	<u>(35,753)</u>	<u>(44,438)</u>
Net profit for the year	<u>\$ 295,033</u>	<u>\$ 325,764</u>
Total comprehensive income for the year	<u>\$ 295,033</u>	<u>\$ 325,764</u>
Dividends received	<u>\$ 154,809</u>	<u>\$ 78,067</u>

**13. PROPERTY, PLANT AND EQUIPMENT**

	<u>December 31</u>					
	<u>2022</u>					<u>2021</u>
Personal use	<u>\$ 549,636</u>					<u>\$ 520,733</u>
	<b>Land</b>	<b>Land Improvements</b>	<b>Plant and Equipment</b>	<b>Machinery</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2022	\$ 263,580	\$ 27,792	\$ 290,038	\$ 636,722	\$ 181,814	\$ 1,399,946
Additions	-	880	6,487	57,513	15,367	80,247
Disposals	-	-	-	(7,340)	(4,242)	(11,582)
Reclassifications	-	-	144	427	-	571
Balance at December 31, 2022	<u>\$ 263,580</u>	<u>\$ 28,672</u>	<u>\$ 296,669</u>	<u>\$ 687,322</u>	<u>\$ 192,939</u>	<u>\$ 1,469,182</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ (26,422)	\$ (228,338)	\$ (501,199)	\$ (123,254)	\$ (879,213)
Depreciation expense	-	(378)	(8,876)	(27,391)	(15,023)	(51,668)
Disposals	-	-	-	7,340	3,995	11,335
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (26,800)</u>	<u>\$ (237,214)</u>	<u>\$ (521,250)</u>	<u>\$ (134,282)</u>	<u>\$ (919,546)</u>
Carrying amounts at December 31, 2022	<u>\$ 263,580</u>	<u>\$ 1,872</u>	<u>\$ 59,455</u>	<u>\$ 166,072</u>	<u>\$ 58,657</u>	<u>\$ 549,636</u>

(Continued)

	<b>Land</b>	<b>Land Improvements</b>	<b>Plant and Equipment</b>	<b>Machinery</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2021	\$ 263,580	\$ 27,792	\$ 287,767	\$ 620,496	\$ 163,924	\$ 1,363,559
Additions	-	-	2,066	12,975	9,343	24,384
Disposals	-	-	-	(12,927)	(4,907)	(17,834)
Reclassifications	-	-	205	16,178	13,454	29,837
Balance at December 31, 2021	<u>\$ 263,580</u>	<u>\$ 27,792</u>	<u>\$ 290,038</u>	<u>\$ 636,722</u>	<u>\$ 181,814</u>	<u>\$ 1,399,946</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ (25,880)	\$ (219,579)	\$ (490,346)	\$ (114,306)	\$ (850,111)
Depreciation expense	-	(542)	(8,759)	(22,977)	(12,870)	(45,148)
Disposals	-	-	-	12,124	3,922	16,046
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (26,422)</u>	<u>\$ (228,338)</u>	<u>\$ (501,199)</u>	<u>\$ (123,254)</u>	<u>\$ (879,213)</u>
Carrying amounts at December 31, 2021	<u>\$ 263,580</u>	<u>\$ 1,370</u>	<u>\$ 61,700</u>	<u>\$ 135,523</u>	<u>\$ 58,560</u>	<u>\$ 520,733</u>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

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

<u>Category</u>	<u>Useful Life</u>
Land improvements	3-20 years
Plant and equipment	
Main buildings	3-60 years
Electronic and mechanical power equipment	3-30 years
Engineering system	3-20 years
Equipment	4-10 years
Miscellaneous equipment	2-12 years

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Transportation equipment	<u>\$ 203</u>	<u>\$ 971</u>
	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Depreciation charge for right-of-use assets		
Transportation equipment	<u>\$ 768</u>	<u>\$ 1,138</u>

The Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

The above item of lease arrangement is depreciated on a straight-line basis over their estimated useful life as follows:

<u>Category</u>	<u>Useful Life</u>
Transportation equipment	3 years

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Current	<u>\$ 206</u>	<u>\$ 776</u>
Non-current	<u>\$ -</u>	<u>\$ 206</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Transportation equipment	1.286%	1.286%

c. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	<u>\$ 271</u>	<u>\$ 271</u>
Total cash (outflow) for leases	<u>\$ (1,063)</u>	<u>\$ (1,168)</u>

The Group's leases of certain equipment qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 70,000</u>	<u>\$ 80,000</u>

The range of weighted average effective interest rates on bank loans was 1.81%-1.88% and 0.9% per annum on December 31, 2022 and 2021, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 68,750	\$ 68,750
Less: Current portion	<u>(17,187)</u>	<u>-</u>
Long-term borrowings	<u>\$ 51,563</u>	<u>\$ 68,750</u>

The range of issued interest rates for long-term borrowings as of the balance sheet date is as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest rates	1.35%	0.725%

This long-term borrowing is a credit borrowing and will be repaid in installments according to the repayment schedule from October 15, 2020 to April 15, 2023. The Corporation has entered into a medium-term credit agreement with a financial institution and is not allowed to revolve within the credit limit. On September 1, 2021, the Corporation entered into an extension contract with a financial institution to extend its repayment term to July 31, 2024, starting from October 15, 2023.

## 16. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes payable</u>		
Operating	\$ 175,742	\$ 105,720
Non-operating	<u>9,498</u>	<u>7,708</u>
	<u>\$ 185,240</u>	<u>\$ 113,428</u>
<u>Trade payables</u>		
Operating	<u>\$ 96,232</u>	<u>\$ 69,013</u>

The average credit period for purchases of raw materials and supplies is 3.5 months. The Group has a financial risk management policy to ensure that all payables are repaid within a predetermined credit period.

## 17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation of the Group adopted a pension plan under the Labor Pension Act (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.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for the 6 months before retirement. The Group contributes amounts equal to 6% 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.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 97,419	\$ 109,012
Fair value of plan assets	<u>(98,764)</u>	<u>(99,554)</u>
Net defined benefit (assets) liabilities	<u>\$ (1,345)</u>	<u>\$ 9,458</u>

Movements in net defined benefit (assets) liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (assets) Liabilities</b>
Balance at January 1, 2022	<u>\$ 109,012</u>	<u>\$ (99,554)</u>	<u>\$ 9,458</u>
Service cost			
Current service cost	1,061	-	1,061
Net interest expense (income)	<u>545</u>	<u>(505)</u>	<u>40</u>
Recognized in profit or loss	<u>1,606</u>	<u>(505)</u>	<u>1,101</u>
Remeasurement			
Return on plan assets (except for amounts included in net interest)	-	(8,270)	(8,270)
Actuarial gain			
Changes in financial assumptions	(4,305)	-	(4,305)
Actuarial loss			
Experience adjustments	<u>1,663</u>	<u>-</u>	<u>1,663</u>
Recognized in other comprehensive income	<u>(2,642)</u>	<u>(8,270)</u>	<u>(10,912)</u>
Contributions from the employer	-	(992)	(992)
Benefits paid	<u>(10,557)</u>	<u>10,557</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 97,419</u>	<u>\$ (98,764)</u>	<u>\$ (1,345)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (assets) Liabilities</b>
Balance at January 1, 2021	\$ 120,555	\$ (106,528)	\$ 14,027
Service cost			
Current service cost	1,267	-	1,267
Net interest expense (income)	452	(406)	46
Recognized in profit or loss	<u>1,791</u>	<u>(406)</u>	<u>1,313</u>
Remeasurement			
Return on plan assets	-	(1,481)	(1,481)
Actuarial loss			
Changes in demographic assumptions	2,520	-	2,520
Experience adjustments	<u>(1,021)</u>	<u>-</u>	<u>(1,021)</u>
Actuarial gain			
Changes in financial assumptions	<u>2,918</u>	<u>-</u>	<u>2,918</u>
Recognized in other comprehensive income (loss)	<u>4,417</u>	<u>(1,481)</u>	<u>2,936</u>
Contributions from the employer	-	(2,966)	(2,966)
Benefits paid	(11,827)	11,827	-
Portion of benefits paid by the employer	<u>(5,852)</u>	<u>-</u>	<u>(5,852)</u>
Balance at December 31, 2021	<u>\$ 109,012</u>	<u>\$ (99,554)</u>	<u>\$ 9,458</u> (Concluded)

The amounts recognized in profit or loss for defined benefit plans are summarized by function as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Operating expenses	\$ 796	\$ 899
Managing expenses	196	247
Research and development expenses	<u>109</u>	<u>167</u>
	<u>\$ 1,101</u>	<u>\$ 1,313</u>

Through the defined benefit plans under the Labor Standards Act, 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 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 plan's 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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.375%	0.500%
Expected rate of salary increase	2.250%	2.000%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	<u>\$ (1,627)</u>	<u>\$ (2,044)</u>
0.25% decrease	<u>\$ 1,669</u>	<u>\$ 2,100</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 1,625</u>	<u>\$ 2,033</u>
0.25% decrease	<u>\$ (1,593)</u>	<u>\$ (1,989)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	<u>\$ 1,000</u>	<u>\$ 3,000</u>
Average duration of the defined benefit obligation	6.8 years	7.5 years

## 18. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Amount of shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>73,400</u>	<u>73,400</u>
Shares issued and fully paid	<u>\$ 734,001</u>	<u>\$ 734,001</u>

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

### b. Capital surplus

The portion of capital surplus that was donated may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years and paying taxes, then for setting aside as legal reserve 10% of the remaining profit. If there is remaining profit, the profit shall be utilized for setting aside a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. For the policies on the distribution of employees' compensation and remuneration of directors, refer to Note 20.

The Corporation operates in an industry environment that is constantly changing, and its business lifecycle is currently in the mature and stable stage. Considering the future operational funding needs and long-term financial planning, dividends are paid in the form of cash or shares. The Corporation's policy is that cash dividends should be at least 20% of total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 21, 2022 and July 29, 2021, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	<u>\$ 29,121</u>	<u>\$ 32,567</u>
Appropriation (Reverse) of special reserve	<u>\$ 14,786</u>	<u>\$ (36,366)</u>
Cash dividends	<u>\$ 154,140</u>	<u>\$ 161,480</u>
Cash dividends per share (NT\$)	\$ 2.1	\$ 2.2

The appropriation of earnings for 2022 had been proposed by the Corporation's board of directors on March 10, 2023, were as follows:

	<b>For the Year Ended December 31, 2022</b>
Legal reserve	<u>\$ 27,855</u>
Reversal of special reserve	<u>\$ (56,482)</u>
Cash dividends	<u>\$ 154,140</u>
Cash dividends per share (NT\$)	\$ 2.1

The appropriations of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held on June 15, 2023.

d. Special reserves

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 382,220	\$ 418,586
Appropriations in respect of Debits to other equity items (reverses)	<u>14,786</u>	<u>(36,366)</u>
Balance at December 31	<u>\$ 397,006</u>	<u>\$ 382,220</u>

e. Other equity items

1) Exchange differences on translation on the financial statements of foreign operations

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (397,006)	\$ (369,013)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	3,382	(1,501)
Share from joint ventures accounted for using the equity method	<u>53,100</u>	<u>(26,492)</u>
Balance at December 31	<u>\$ (340,524)</u>	<u>\$ (397,006)</u>

2) Unrealized gain on financial assets at FVTOCI

	<b><u>For the Year Ended December 31, 2021</u></b>
Balance at January 1	\$ (13,207)
Recognized for the year	
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal by associates	<u>13,207</u>
Balance at December 31	<u>\$ -</u>

**19. REVENUE**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,487,347</u>	<u>\$ 1,264,880</u>
Other operation revenue	<u>\$ 12,918</u>	<u>\$ 10,728</u>

## Contract Balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (Notes 9 and 26)	\$ <u>295,996</u>	\$ <u>186,128</u>	\$ <u>237,607</u>
Contract liabilities			
Sale of goods (Note 26)	\$ <u>64,498</u>	\$ <u>49,320</u>	\$ <u>30,266</u>

The amount of contract liabilities from the beginning of the year recognized as income in the current year was as follows:

	December 31	
	2022	2021
Contract liabilities from the beginning of the year		
Sale of goods	\$ <u>22,193</u>	\$ <u>15,142</u>

## 20. NET PROFIT FROM CONTINUING OPERATIONS

### a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ <u>16,171</u>	\$ <u>9,452</u>

### b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 9	\$ (1,414)
Gain on financial assets at FVTOCI	154	43
Net foreign exchange gains (losses)	3,671	(5,560)
Other	<u>(100)</u>	<u>(2,510)</u>
	\$ <u>3,734</u>	\$ <u>(9,441)</u>

### c. Financial costs

	For the Year Ended December 31	
	2022	2021
Interest expenses	\$ 1,546	\$ 1,042
Interest on lease liabilities	8	20
Fees	<u>7</u>	<u>26</u>
	\$ <u>1,561</u>	\$ <u>1,088</u>

d. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 51,668	\$ 45,148
Right-of-use assets	768	1,138
Intangible assets	<u>2,411</u>	<u>1,787</u>
	<b><u>\$ 54,847</u></b>	<b><u>\$ 48,073</u></b>
 An analysis of depreciation by function		
Operating costs	\$ 47,252	\$ 41,091
Operating expenses	<u>5,184</u>	<u>5,195</u>
	<b><u>\$ 52,436</u></b>	<b><u>\$ 46,286</u></b>
 An analysis of amortization by function		
Operating costs	\$ 160	\$ 46
Operating expenses	1,519	1,055
Research and development expenses	<u>732</u>	<u>686</u>
	<b><u>\$ 2,411</u></b>	<b><u>\$ 1,787</u></b>

e. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits		
Defined contribution plans	\$ 6,535	\$ 6,454
Defined benefit plans (Note 17)	1,101	1,313
Short-term benefits		
Payroll	205,458	191,340
Labor and health insurance and group premium	21,592	21,548
Other	<u>10,771</u>	<u>10,601</u>
Total employee benefits	<b><u>\$ 245,457</u></b>	<b><u>\$ 231,256</u></b>
 An analysis of employee benefits expenses by function		
Operating costs	\$ 181,614	\$ 168,770
Operating expenses	<u>63,843</u>	<u>62,486</u>
	<b><u>\$ 245,457</u></b>	<b><u>\$ 231,256</u></b>

f. 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 0.1% and no higher than 1%, 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 10, 2023 and March 14, 2022, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	0.68%	0.81%
Remuneration of directors and supervisors	0.50%	0.68%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	<u>\$ 2,344</u>	<u>\$ 3,086</u>
Remuneration of directors and supervisors	<u>\$ 1,717</u>	<u>\$ 2,595</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 14, 2022 and March 18, 2021, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	<u>\$ 3,086</u>	<u>\$ 3,438</u>
Remuneration of directors and supervisors	<u>\$ 2,595</u>	<u>\$ 2,828</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 125,085	\$ 52,173
Adjustments for the prior years	(6,806)	(1,040)
Taxation for (refund) repatriated offshore funds	(593)	3,678
Income tax on unappropriated earnings	<u>4,658</u>	<u>8,400</u>
	<u>122,344</u>	<u>63,211</u>
Deferred tax		
In respect of the current year	<u>(53,032)</u>	<u>6,098</u>
Income tax expense recognized in profit or loss	<u>\$ 69,312</u>	<u>\$ 69,309</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax for continuing operations	<u>\$ 339,130</u>	<u>\$ 376,076</u>
Income tax expense calculated at the statutory rate	\$ 67,826	\$ 75,215
Tax-exempt income	(31)	(9)
Income tax on unappropriated earnings	4,658	8,400
Effect of deferred income tax on earnings of subsidiaries	(35,339)	(15,807)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,685)	(1,128)
Adjustments for prior years' tax	(6,806)	(1,040)
Taxation for (refund) repatriated offshore funds	(593)	3,678
Oversea withholding tax	<u>42,282</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 69,312</u>	<u>\$ 69,309</u>

For the year ended December 31, 2022, the Corporation completed substantial investments and repatriated \$593 thousand, per the 'Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.

On July 22, 2021, the Corporation repatriated RMB8,600 thousand after approval was obtained from the National Taxation Bureau, Ministry of Finance. The total income tax withholding was \$3,678 thousand based on the preferential tax rate at 10%.

b. Income tax recognized in other comprehensive income (loss)

**For the Year Ended December 31**  
**2022**                      **2021**

Deferred tax

In respect of the current year

Remeasurement of defined benefit plans

\$ 2,182

\$ (587)

c. Current tax assets and liabilities

**December 31**  
**2022**                      **2021**

Current tax liabilities

Income tax payable

\$ 49,735

\$ 32,348

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Retirement defined benefit plans	\$ 1,891	\$ 22	\$ (1,913)	\$ -	\$ -
Others	<u>2,251</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>2,289</u>
	<u>\$ 4,142</u>	<u>\$ 60</u>	<u>\$ (1,913)</u>	<u>\$ -</u>	<u>\$ 2,289</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Retirement defined benefit plans	\$ -	\$ -	\$ (269)	\$ -	\$ (269)
Reserve for land value increment tax	(69,799)	-	-	-	(69,799)
Unappropriated earnings of investments accounted for using the equity method	(250,332)	53,047	-	-	(197,285)
Others	<u>-</u>	<u>(75)</u>	<u>-</u>	<u>-</u>	<u>(75)</u>
	<u>\$ (320,131)</u>	<u>\$ 52,972</u>	<u>\$ (269)</u>	<u>\$ -</u>	<u>\$ (267,428)</u>

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Others</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Retirement defined benefit plans	\$ 2,805	\$ (1,501)	\$ 587	\$ -	\$ 1,891
Others	<u>3,906</u>	<u>(1,655)</u>	<u>-</u>	<u>-</u>	<u>2,251</u>
	<u>\$ 6,711</u>	<u>\$ (3,156)</u>	<u>\$ 587</u>	<u>\$ -</u>	<u>\$ 4,142</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Reserve for land value increment tax	\$ (69,799)	\$ -	\$ -	\$ -	\$ (69,799)
Unappropriated earnings of investments accounted for using the equity method	(245,463)	(3,593)	-	(1,276)	(250,332)
Others	<u>(651)</u>	<u>651</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (315,913)</u>	<u>\$ (2,942)</u>	<u>\$ -</u>	<u>\$ (1,276)</u>	<u>\$ (320,131)</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries and joint ventures for which no deferred tax liabilities have been recognized were \$575,575 thousand and \$523,203 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share	<u>\$ 3.68</u>	<u>\$ 4.18</u>
Diluted earnings per share	<u>\$ 3.67</u>	<u>\$ 4.18</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Profit of the Group	<u>\$ 269,818</u>	<u>\$ 306,767</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	73,400	73,400
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>51</u>	<u>64</u>
Weight average number of ordinary shares used in the computation of diluted earnings per share	<u>73,451</u>	<u>73,464</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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 at the shareholders' meeting in the following year.

## **23. CASH FLOW INFORMATION**

### **Non-cash Transactions**

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2022 and 2021:

- a. The Group reclassified prepayments for equipment amounting to \$571 thousand and \$29,837 thousand to property, plant and equipment during 2022 and 2021, respectively, as described in Note 13.
- b. The Group reclassified the current portion of long-term borrowings to current liabilities in the amounts of \$17,187 thousand during 2022, as described in Note 15.

## **24. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that it will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The strategy for managing the capital structure of the Group is based on the scale of the business, the future growth of the industry and the blueprints of the products' development. The Group calculates trading funds and cash based on its production capacity in order to have a long-term and completed plan. The Group takes into account product competition to estimate the products' contribution, operating profit margin and cash flow. It also considers the business cycle and the products' life cycles and risks when deciding the appropriate capital structure. Key management personnel of the Group reviews the capital structure on a regular basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Generally, the Group uses a cautious risk management strategy.

The Group is not required to comply with any other external capital regulations.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### Fair value hierarchy

#### December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	\$ 15,004	\$ -	\$ -	\$ 15,004

#### December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	\$ 20,002	\$ -	\$ -	\$ 20,002

There were no transfers between Levels 1 and 2 in the current and prior years.

### c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 15,004	\$ 20,002
Financial assets at amortized cost (Note 1)	1,646,068	972,107
<u>Financial liabilities</u>		
Amortized cost (Note 2)	587,760	468,713

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, financial assets at amortized cost and notes and accounts receivable (related parties included).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes and accounts payable (related parties included), other payables and long-term borrowings (including maturity within one year).

d. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at amortized cost, financial assets at FVTPL and financial liabilities at amortized cost. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The board of directors is solely responsible for established and monitored the framework of risk management of the Group, the board of directors authorized the chairman develop and monitored the risk management policy of the Group with the operation center of the Group, and regularly reported the situation to the board of directors.

The Group's financial risk management policies are developed for identifying and analyzing the financial risks to the Group, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management is periodically reviewed to reflect changes to the market and the operations. Through internal controls, such as training and setting up managing requirements and procedures, the Group is engaged in developing a disciplined and constructive control environment, in order to have all employees understand their own responsibilities.

The Group's management oversees the Group operation in compliance with financial risk management policies and reviews the appropriateness of the risk management structure under the supervision of the board of directors. Internal auditors, in assistance to the board of directors, perform periodical and exceptional reviews on the controls and procedures of financial risk management and report the results of the review to the board of directors.

This note presents information concerning the Group's risk exposure and the Group's targets, policies and procedures to measure and manage the risks.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) 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 year are set out in Note 29.

Sensitivity analysis

The Group is mainly exposed to the Renminbi (RMB) and U.S. dollar (USD).

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation at the end of the reporting period is adjusted for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and equity associated with a 5% strengthening of the New Taiwan dollar against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and equity, and the balances below would be negative.

	<b>RMB Impact</b>		<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss and equity	\$ 8,285	\$ 1,998	\$ 21	\$ 25

The result was mainly attributable to the exposure on cash and cash equivalents in RMB and USD that were not hedged at the end of the year.

b) Interest rate risk

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash flow interest rate risk		
Financial assets	\$ 1,111,123	\$ 738,576
Financial liabilities	206	982
Fair value interest rate risk		
Financial assets	217,215	6,443
Financial liabilities	138,750	148,750

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. 25 basis points increase or decrease is 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 interest rates had been 25 basis points 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 increased/decreased by \$196 thousand and \$356 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in financial assets at FVTPL-beneficiary certificate and equity securities. The market risk lies in the fluctuations of the transaction prices.

Every investment made under the Group was carefully assessed to avoid and minimize market risks.

## Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to beneficiary certificate and equity price risks at the end of the year.

If beneficiary certificate prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$750 thousand and \$1000 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

### 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 would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of carrying amount of the respective recognized financial assets as stated in the balance sheets. The policy adopted by the Group is to only transact with reputable counterparties and to continuously monitor credit risk and the credit rating of our trading partners.

Apart from Company A and Company B, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The concentration of credit risk related to other companies except for Company A and Company B did not exceed 10% of gross trade receivables at any time during the years. Since Company A and Company B are reputable firms, the credit risk associated with them is limited.

### 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 short-term bank loan facilities set out in (b) below.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

#### December 31, 2022

	<b>Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>		
Non-interest bearing	\$ 449,009	\$ -
Lease liabilities	\$ 208	\$ -
Variable interest rate liabilities	\$ 88,371	\$ 51,795

December 31, 2021

	<b>Less than 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>		
Non-interest bearing	\$ 319,963	\$ -
Lease liabilities	\$ 791	\$ 208
Variable interest rate liabilities	\$ 80,498	\$ 69,352
b) Financing amount		

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Unsecured bank loans		
Amount drawn	\$ 138,750	\$ 148,750
Undrawn amount	<u>186,250</u>	<u>176,250</u>
	<u>\$ 325,000</u>	<u>\$ 325,000</u>
Stand-by credit facilities		
Amount drawn	\$ 20,000	\$ 20,000
Undrawn amount	<u>10,000</u>	<u>10,000</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>

## 26. TRANSACTIONS WITH RELATED PARTIES

The Group's parent is China Motor Corporation, which held 44% of the ordinary shares of the Group on December 31, 2022 and 2021.

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. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

### a. Names and categories of related parties

<u>Related Party Name</u>	<u>Related Party Category</u>
China Motor Corporation	Parent company of the Group
Kuozui Motors, Ltd.	Investors that have significant influence over the Group
Yulon Motor Co., Ltd. (Yulon)	Investors that have significant influence over the Group
ROC-Spicer Ltd. (ROC-Spicer)	Associate of the parent company
Coc Tooling & Stamping Co., Ltd.	Associate of the parent company
Hua-Chuang Automobile Information Technical Center Co., Ltd. (Hua-Chuang Automobile Information)	Associate of the parent company
Yue Ki Industrial Co., Ltd.	Associate of the parent company
Yulon Management Company Ltd.	Associate of the parent company
Luxgen Motor Co., Ltd.	Associate of the parent company
Yulon Nissan Motor Co., Ltd.	Associate of the parent company

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Fuzhou Fushiang Motor Co., Ltd.	Joint venture of the Group
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	Joint venture of the Group
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	Joint venture of the Group
Xiamen King-Long Kian-Shen Frame Co., Ltd.	Joint venture of the Group
King-Long Kian-Shen (Hangzhou) Co., Ltd.	Joint venture of the Group

(Concluded)

b. Operating transactions

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Parent company	\$ 603,800	\$ 683,751
	Investors that have significant influence over the Group		
	Kuozui Motors	682,241	360,769
	Yulon Motor Co., Ltd.	26,237	29,931
	Associates of the parent company		
	Yulon Nissan Motor Co., Ltd.	29	11,345
	ROC-Spicer Ltd.	21,335	21,303
	Others	1,421	1,762
	Joint ventures	<u>-</u>	<u>30</u>
			1,335,063
Other operating transactions	Joint ventures	<u>12,599</u>	<u>9,797</u>
		<u>\$ 1,347,662</u>	<u>\$ 1,118,688</u>

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates of the parent company		
Yue Ki Industrial	\$ 166,935	\$ 175,748
Others	-	8
Investors that have significant influence over the Group	78,245	46,572
Parent company	<u>82</u>	<u>34</u>
	<u>\$ 245,262</u>	<u>\$ 222,362</u>

d. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Trade receivables from related parties	Parent company	\$ 109,327	\$ 93,173
	Investors that have significant influence over the Group		
	Kuozui Motors	134,324	44,643
	Others	7,489	5,590
	Associates of the parent company	<u>5,725</u>	<u>7,697</u>
			<u>\$ 256,865</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

The prices of transactions between the Group and related parties are all based on agreed-upon conditions. Except for mold transactions, which are collected according to the contractually agreed-upon period, the payment period for transactions with related and unrelated parties is from 30 to 95 days after the end of each month.

e. Payables to related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Associates of the parent company		
Yue Ki Industrial	\$ 72,830	\$ 67,992
Others	830	830
Investors that have significant influence over the Group	18,327	5,456
Parent company	<u>270</u>	<u>270</u>
	<u>\$ 92,257</u>	<u>\$ 74,548</u>

The outstanding trade payables to related parties are unsecured.

The payment period for both related and unrelated parties is from 30 to 95 days after the end of each month.

f. Contract liabilities

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Investors that have significant influence over the Group		
Kuozui Motors	\$ 36,431	\$ 33,416
Others	8,050	5,750
Parent company	12,912	6,853
Associates of the parent company	<u>17</u>	<u>17</u>
	<u>\$ 57,410</u>	<u>\$ 46,036</u>

g. Other transactions with related parties

China Motor Corporation, Kuozui Motors, Ltd., Yulon Motor Co., Ltd., and Yulon Management Company Ltd. performed certain administrative services for the Corporation. For the years ended December 31, 2022 and 2021, management fees of \$5,621 thousand and \$5,238 thousand, respectively.

h. Remuneration of key management personnel

The remuneration of directors and key executives for the years ended December 31, 2022 and 2021 was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 36,243	\$ 33,250
Post-employment benefits	<u>1,005</u>	<u>897</u>
	<u>\$ 37,248</u>	<u>\$ 34,147</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## **27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes unrecognized commitments and significant contingencies of the Group as of December 31, 2022 were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit for the purchase of raw materials and machinery and equipment amounted to approximately \$13,315 thousand and \$3,372 thousand, respectively.
- b. In January 2014, the Corporation received a civil judgment from the Taoyuan District Court, Taiwan, which stated that the Corporation was responsible for compensating an employee for an occupational accident that occurred in August 2011. The case was appealed to the High Court, in January 2020, and the verdict was confirmed. The statute of limitations for this case was set to expire at the end of August 2021. Therefore, in September 2021, as it was determined that there was no possibility of further litigation, the remaining estimated losses related to the case were reversed.

## **28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

In February 2023, for adjusting investment plan, Xiamen King-Long Kian-Shen Frame Co., Ltd., one joint venture investee of the Group, signed an equity transfer agreement with a non-related party to sell its subsidiary, King-Long Kian-Shen (Hangzhou) Co., Ltd. The selling price was RMB113,639 thousand. This transaction was completed in March 2023.

## 29. 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 the functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	Exchange Rate		Carrying Amount
	Foreign Currency	Exchange Rate	
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 1	30.71 (USD:NTD)	\$ 36
USD	12	6.9646 (USD:RMB)	376
RMB	37,590	4.408 (RMB:NTD)	165,695
Non-monetary items			
Joint ventures accounted for using the equity method			
RMB	954,089	4.408 (RMB:NTD)	4,205,624

December 31, 2021

	Exchange Rate		Carrying Amount
	Foreign Currency	Exchange Rate	
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 1	27.68 (USD:NTD)	\$ 33
USD	16	6.3757 (USD:RMB)	457
RMB	9,199	4.344 (RMB:NTD)	39,962
Non-monetary items			
Joint ventures accounted for using the equity method			
RMB	982,168	4.344 (RMB:NTD)	4,266,538

The significant (realized and unrealized/unrealized) foreign exchange gains (losses) were as follows:

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
USD	29.805 (USD:NTD)	\$ <u>6</u>	28.009 (USD:NTD)	\$ <u>3</u>
USD	6.7208 (USD:RMB)	\$ <u>(5)</u>	6.4512 (USD:RMB)	\$ <u>(4)</u>
RMB	4.422 (RMB:NTD)	\$ <u>444</u>	4.341 (RMB:NTD)	\$ <u>2,202</u>

### 30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 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 (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: None
- 11) Information on investees (direct or indirect significant influence on non-mainland investee companies, controller or joint controller) (Table 4)

b. Information on investments 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, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and a limit on the amount of investment in the mainland China area (Table 5)
- 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 (None):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. 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 the percentage of ownership of each shareholder (Table 6)

### 31. 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. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Manufacturing department  
Investment department

#### a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Income or Loss	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Manufacturing	\$ 1,500,265	\$ 1,275,608	\$ 87,327	\$ 57,069
Investment	274,546	361,608	274,094	361,313
Total from continuing operations	<u>\$ 1,774,811</u>	<u>\$ 1,637,216</u>	361,421	418,382
Administration cost and remunerations to directors			(42,124)	(42,264)
Interest income			16,171	9,452
Other income			1,489	1,035
Other gains or loss			3,734	(9,441)
Financial costs			<u>(1,561)</u>	<u>(1,088)</u>
Profit before income tax			<u>\$ 339,130</u>	<u>\$ 376,076</u>

The reported segment revenues above were generated from transactions with external customers.

There were no intersegment sales for the years ended December 31, 2022 and 2021.

b. Total segment assets

<b>Segment Assets</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Continuing operations		
Manufacturing	\$ 1,407,831	\$ 1,143,178
Investment	<u>4,201,542</u>	<u>4,180,706</u>
Consolidated total assets	<u>\$ 5,609,373</u>	<u>\$ 5,323,884</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and remunerations to directors, interest income, other income, other gains or losses, net loss, financial costs, and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

**KIAN SHEN CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Kian Shen Corporation	Beneficiary certificates FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss	964,854	\$ 15,004	-	\$ 15,004

Note: Refer to Tables 4 and 5 for the information on investments in subsidiaries and joint ventures.

## KIAN SHEN CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Seller/Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable) Ending Balance	% of Total	Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price				Payment Terms
Kian Shen Corporation	China Motor Corporations	Parent company	Sale	\$ (603,800)	(41)	Payment made 45 days from the next month of delivery	\$	-	Payment made within 45 days after next months of delivery	\$ 109,327	43
	Kuozui Motors	Investors that have significant influence over the Group	Sale	(682,241)	(46)	Payment made 32 days from the next month of delivery		-	Payment made within 32 days after next months of delivery	134,324	52
	Yue Ki Industrial	Associate of the parent company	Purchase	166,935	14	Payment made 95 days from the invoice date		-	Net 95 days from the end of the month of when invoice is issued	(70,161)	(76)

## KIAN SHEN CORPORATION 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)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Kian Shen Corporation	China Motor Corporations Kuo-zui Motors	Parent company Investors that have significant influence over the Group	\$ 109,327 134,324	5.96 7.62	\$ - -	- -	\$ 71,644 84,320	\$ - -

## KIAN SHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2022			Share of Profit	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount		
Kian Shen Corporation	Kian Shen Investment Co., Ltd.	British Virgin Islands	General investment	US\$ 10,296 thousand	\$ 10,296	10,296	100.00	\$ 4,205,624	\$ 245,687	Subsidiary (Note 1)
Kian Shen Investment Co., Ltd.	Kian Shen Investment Hong Kong Co., Limited	Hong Kong	General investment	US\$ 25,907 thousand	25,907	25,907	100.00	RMB 926,114 thousand	RMB 48,228 thousand	Subsidiary (Note 1)

Note 1: Eliminated during the preparation of the consolidated financial statements.

Note 2: For information on investments in mainland China, refer to Table 5.

## KIAN SHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Note 1)	Net (Loss) Income of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment (Loss) Gain (Notes 2 and 3)	Carrying Amount as of December 31, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2022 (Note 2)
					Outward	Inward						
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	Design, production, sales and after-sales service for automotive-specific constant velocity steering knuckles	\$ 383,875 (US\$ 12,500 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 153,550 (US\$ 5,000 thousand)	-	\$ -	\$ 153,550 (US\$ 5,000 thousand)	\$ 400,730 (RMB 90,622 thousand)	40	\$ 160,292 (RMB 36,249 thousand)	\$ 1,415,798 (RMB 321,188 thousand)	\$ 1,168,646 (RMB 264,280 thousand)
Fuzhou Fushiang Motor Co., Ltd.	Sales and manufacture of vehicles' components	546,024 (US\$ 17,780 thousand) (Note 4)	Indirect investment in mainland China through a company registered in a third region	87,063 (US\$ 2,835 thousand)	-	-	87,063 (US\$ 2,835 thousand)	18,385 (RMB 4,158 thousand)	35	6,437 (RMB 1,456 thousand)	369,516 (RMB 83,829 thousand)	219,128 (RMB 49,554 thousand)
Xiamen King-Long Kian-Shen Frame Co., Ltd.	Sales and manufacture of vehicles' components	423,168 (US\$ 96,000 thousand) (Note 5)	Indirect investment in mainland China through a company registered in a third region	46,894 (US\$ 1,527 thousand)	-	-	46,894 (US\$ 1,527 thousand)	(20,392) (RMB -4,612 thousand)	50	(10,196) (RMB -2,306 thousand)	185,006 (RMB 41,971 thousand)	-
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	Design, production, sales and after-sales service for automotive-specific constant velocity steering knuckles	1,044,140 (RMB 34,000 thousand) (Note 6)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	295,033 (RMB 66,719 thousand)	40	118,013 (RMB 26,688 thousand)	979,939 (RMB 222,309 thousand)	38,029 (RMB 8,600 thousand)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Notes 1 and 4)	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 7)
\$304,090 (US\$9,902 thousand)	\$966,321 (US\$31,466 thousand)	\$2,771,886

Note 1: Converted at the exchange rates on December 31, 2022: US\$1=NT\$30.71, RMB1=NT\$4.408.

Note 2: Converted at the average exchange rates for the year ended December 31, 2022: RMB1=NT\$4.422.

Note 3: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements of the corresponding year.

Note 4: In addition to the remittance of cash investment, the amount includes US\$3,388 thousand of earnings transferred.

Note 5: In addition to the remittance of cash investment from the Corporation, the remaining balance includes US\$5,052 thousand of earnings transferred from Kian Shen Investment Hong Kong Co., Limited's surplus.

Note 6: Kian Shen Investment Hong Kong Co., Limited invested US\$13,600 thousand with its earnings.

Note 7: The calculation is based on the higher of 60% of the net value of the single or combined investment or technical cooperation in mainland China.

**TABLE 6****KIAN SHEN CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Ownership Percentage (%)
China Motor Corporation	32,201,367	43.87
Kuozui Motors	24,178,711	32.94

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 preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current year. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

## **Appendix 2**

### **Kian Shen Corporation**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Kian Shen Corporation

### **Opinion**

We have audited the accompanying financial statements of Kian Shen Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 these 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 judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation's financial statements for the year ended December 31, 2022 is stated as follows:

### Sales Revenue

The Corporation's sales revenue is the main indicator of financial and business performance evaluated by investors and management. When considering revenue recognition, there is the possibility of an inherently high risk of fraud, and the management may be pressured to achieve the financial target; therefore, we identified the risk of the occurrence of sales revenue a key audit matter in 2022.

Our audit procedures related to the abovementioned key audit matter include evaluating the design of relevant internal control related to the sales revenue and the effectiveness of the implementation of the internal control; sampling from details of the sales revenue, then tracing to customer statements, shipping documents and collection records to ensure the occurrence of the sales revenue.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the audit committee) are responsible for overseeing the Corporation's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key 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.

The engagement partners on the audits resulting in this independent auditors' report are Shio-Ming Shue and Chi-Sheng Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*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.*

# KIAN SHEN CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 99,926	2	\$ 75,881	2
Financial assets at fair value through profit or loss - current (Notes 7 and 24)	15,004	-	20,002	-
Financial assets at amortized cost - current (Note 8)	-	-	8,724	-
Notes and accounts receivable, net (Notes 9 and 18)	39,131	1	35,025	1
Trade receivables from related parties (Notes 9, 18 and 25)	345,025	6	151,103	3
Inventories (Note 10)	330,245	6	212,222	4
Prepayments	5,970	-	10,662	-
Other current assets	2,240	-	2,326	-
Total current assets	<u>837,541</u>	<u>15</u>	<u>515,945</u>	<u>10</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Note 11)	4,205,624	75	4,266,538	80
Property, plant and equipment (Note 12)	549,636	10	520,733	10
Right-of-use assets (Note 13)	203	-	971	-
Intangible assets	2,030	-	3,448	-
Deferred tax assets (Note 20)	2,289	-	4,142	-
Long-term prepayments	10,071	-	11,157	-
Refundable deposits	150	-	471	-
Net defined benefit assets (Note 16)	1,345	-	-	-
Total non-current assets	<u>4,771,348</u>	<u>85</u>	<u>4,807,460</u>	<u>90</u>
<b>TOTAL</b>	<u>\$ 5,608,889</u>	<u>100</u>	<u>\$ 5,323,405</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 15)	\$ 70,000	1	\$ 80,000	2
Contract liabilities - current (Notes 18 and 25)	64,498	1	49,320	1
Notes and accounts payable (Note 16)	281,472	5	182,441	3
Trade payables to related parties (Note 25)	92,257	2	74,548	1
Other payables	75,281	2	62,974	1
Current tax liabilities (Note 20)	49,735	1	32,348	1
Lease liabilities - current (Note 13)	206	-	776	-
Long-term loans due within one year (Note 15)	17,187	-	-	-
Other current liabilities	18,820	-	3,232	-
Total current liabilities	<u>669,456</u>	<u>12</u>	<u>485,639</u>	<u>9</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 15)	51,563	1	68,750	2
Deferred tax liabilities (Note 20)	267,428	5	320,131	6
Lease liabilities - non-current (Note 13)	-	-	206	-
Net defined benefit liabilities (Note 16)	-	-	9,458	-
Guarantee deposits	631	-	300	-
Total non-current liabilities	<u>319,622</u>	<u>6</u>	<u>398,845</u>	<u>8</u>
Total liabilities	<u>989,078</u>	<u>18</u>	<u>884,484</u>	<u>17</u>
<b>EQUITY (Note 17)</b>				
Ordinary shares	734,001	13	734,001	14
Capital surplus - donated	1,251	-	1,251	-
Retained earnings				
Legal reserve	650,273	11	621,152	12
Special reserve	397,006	7	382,220	7
Unappropriated earnings	3,177,804	57	3,097,303	58
Total retained earnings	<u>4,225,083</u>	<u>75</u>	<u>4,100,675</u>	<u>77</u>
Exchange differences on translating the financial statements of foreign operations	(340,524)	(6)	(397,006)	(8)
Total equity	<u>4,619,811</u>	<u>82</u>	<u>4,438,921</u>	<u>83</u>
<b>TOTAL</b>	<u>\$ 5,608,889</u>	<u>100</u>	<u>\$ 5,323,405</u>	<u>100</u>

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

# KIAN SHEN CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 25)				
Net sales	\$ 1,487,347	99	\$ 1,264,880	99
Other operating revenue	<u>12,918</u>	<u>1</u>	<u>10,728</u>	<u>1</u>
Total operating revenue	1,500,265	100	1,275,608	100
OPERATING COSTS (Notes 10, 17, 20 and 25)	<u>1,352,764</u>	<u>90</u>	<u>1,171,714</u>	<u>92</u>
GROSS PROFIT	<u>147,501</u>	<u>10</u>	<u>103,894</u>	<u>8</u>
OPERATING EXPENSES (Notes 17, 20 and 25)				
Selling and marketing expenses	3,187	-	2,673	-
General and administrative expenses	75,880	5	62,966	5
Research and development expenses	<u>23,386</u>	<u>2</u>	<u>23,455</u>	<u>2</u>
Total operating expenses	<u>102,453</u>	<u>7</u>	<u>89,094</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>45,048</u>	<u>3</u>	<u>14,800</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	2,487	-	1,272	-
Other income	1,489	-	1,035	-
Other gains or losses (Note 20)	3,698	-	(7,191)	(1)
Financial costs (Note 20)	(1,561)	-	(1,088)	-
Share of profit of subsidiaries (Note 11)	<u>245,687</u>	<u>17</u>	<u>367,248</u>	<u>29</u>
Total non-operating income and expenses	<u>251,800</u>	<u>17</u>	<u>361,276</u>	<u>28</u>
PROFIT BEFORE INCOME TAX	296,848	20	376,076	29
INCOME TAX EXPENSE (Note 21)	<u>(27,030)</u>	<u>(2)</u>	<u>(69,309)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>269,818</u>	<u>18</u>	<u>306,767</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	10,912	-	(2,936)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(2,182)	-	587	-

(Continued)

# KIAN SHEN CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries, accounted for using the equity method	<u>\$ 56,482</u>	<u>4</u>	<u>\$ (27,993)</u>	<u>(2)</u>
Other comprehensive income (loss) for the year (net of income tax)	<u>65,212</u>	<u>4</u>	<u>(30,342)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 335,030</u>	<u>22</u>	<u>\$ 276,425</u>	<u>22</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 3.68</u>		<u>\$ 4.18</u>	
Diluted	<u>\$ 3.67</u>		<u>\$ 4.18</u>	

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

(Concluded)

# KIAN SHEN CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Ordinary Shares		Retained Earnings				Other Equity			Total Equity
	Number of Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Operations		
BALANCE AT JANUARY 1, 2021	73,400	\$ 734,001	\$ 1,251	\$ 588,585	\$ 418,586	\$ 2,963,773	\$ (13,207)	\$ (369,013)	\$ 4,323,976	
Appropriation of the 2020 earnings	-	-	-	32,567	-	(32,567)	-	-	-	
Legal reserve	-	-	-	-	-	(161,480)	-	-	(161,480)	
Cash dividends distributed by the Corporation - \$2.2 per share	-	-	-	-	(36,366)	36,366	-	-	-	
Reversal of special reserve	-	-	-	-	(36,366)	(157,681)	-	-	(161,480)	
Net profit for the year ended December 31, 2021	-	-	-	-	-	306,767	-	-	306,767	
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,349)	-	(27,993)	(30,342)	
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	304,418	-	(27,993)	276,425	
Disposal of the investments in equity instruments as at fair value through other comprehensive income by associates	-	-	-	-	-	(13,207)	13,207	-	-	
BALANCE AT DECEMBER 31, 2021	73,400	\$ 734,001	\$ 1,251	\$ 621,152	\$ 382,220	\$ 3,097,303	\$ -	\$ (397,006)	\$ 4,438,921	
Appropriation of the 2021 earnings	-	-	-	29,121	-	(29,121)	-	-	-	
Legal reserve	-	-	-	-	-	(14,786)	-	-	-	
Special reserve	-	-	-	14,786	-	(154,140)	-	-	(154,140)	
Cash dividends distributed by the Corporation - \$2.1 per share	-	-	-	-	-	(198,047)	-	-	(154,140)	
Net profit for the year ended December 31, 2022	-	-	-	29,121	14,786	(198,047)	-	-	(154,140)	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	269,818	-	-	269,818	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	8,730	-	56,482	65,212	
BALANCE AT DECEMBER 31, 2022	73,400	\$ 734,001	\$ 1,251	\$ 650,273	\$ 397,006	\$ 3,177,804	\$ -	\$ (340,524)	\$ 4,619,811	

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

# KIAN SHEN CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 296,848	\$ 376,076
Adjustments for:		
Depreciation expense	52,436	46,286
Amortization expense	2,411	1,787
Net gain on fair value change of financial assets at fair value through profit or loss	(154)	(43)
Interest expense	1,554	1,062
Interest income	(2,487)	(1,272)
Share of profit of subsidiaries	(245,687)	(367,248)
(Gain) loss on disposal of property, plant and equipment	(9)	1,414
Write-down of inventories and loss of inactive stock	500	2,000
Unrealized loss on foreign currency exchange, net	153	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	5,152	(19,959)
Notes and accounts receivable	(4,106)	(21,511)
Trade receivables from related parties	(106,042)	72,990
Inventories	(118,523)	(17,753)
Prepayments	4,692	(3,351)
Other current assets	86	747
Prepayments	15,178	19,054
Notes and accounts payable	99,018	(14,363)
Trade payables to related parties	17,709	(1,557)
Other payables	12,259	(9,562)
Other current liabilities	15,588	(191)
Net defined benefit plans	109	(7,505)
Cash generated from operations	46,685	57,101
Interest paid	(1,497)	(1,029)
Income tax paid	(26,368)	(17,610)
Net cash generated from operating activities	<u>18,820</u>	<u>38,462</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in financial assets at amortized cost	8,724	41,293
Decrease (increase) in long-term prepayments	515	(36,872)
Acquisition of property, plant and equipment	(80,247)	(24,384)
Proceeds from disposal of property, plant and equipment	256	374
Decrease in refundable deposits	321	-
Acquisition of intangible assets	(993)	(3,367)
Decrease in other financial assets	-	26,006
Interest received	2,487	1,257
Dividends received	<u>238,755</u>	<u>256,729</u>
Net cash generated from investing activities	<u>169,818</u>	<u>261,036</u>

(Continued)

# KIAN SHEN CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

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	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (10,000)	\$ (20,000)
Decrease in short-term bills	-	(40,000)
Repayments from long-term borrowings	-	(25,000)
Increase (decrease) in guarantee deposits	331	(50)
Repayment of the principal portion of lease liabilities	(784)	(877)
Cash dividends paid	<u>(154,140)</u>	<u>(161,480)</u>
Net cash used in financing activities	<u>(164,593)</u>	<u>(247,407)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	24,045	52,091
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>75,881</u>	<u>23,790</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 99,926</u>	<u>\$ 75,881</u>

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

(Concluded)

# KIAN SHEN CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Kian Shen Corporation (the “Corporation”) was established in May 1963 in Taoyuan City, Taiwan. The Corporation is mainly engaged in the manufacture and sale of automobile body beams, stamping molds, and woodworking products.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TWSE) since May 1999.

The Corporation’s parent company is China Motor Corporation, which held 44% of the Corporation's ordinary shares at the end of 2022 and 2021.

The financial statements are presented in the Corporation’s functional currency of New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Corporation’s board of directors on March 10, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. 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 for the first time in the fiscal year 2022 did not have material impact on the Corporation’s accounting policies and has not had a significant impact on the Corporation's individual financial position and individual financial performance.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments 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 prospectively for annual reporting periods beginning on or after January 1, 2023.

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

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

As of the date the financial statements were authorized for issue, the Corporation assessed that the application of the aforementioned standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

- c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments 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
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

- b. 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 based on 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); and
- 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 investment in subsidiaries, associates and joint ventures. 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 as 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, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. 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; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., 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 in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the financial statements, the financial statements of the Corporation's foreign operations that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income

e. Inventories

Inventories consist of raw materials, supplies, molds, finished goods and work in progress 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.

f. 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 of the equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as 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 loss 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 loss, if any.

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 that constitutes a business 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 of a subsidiary that constitutes a business 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. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. 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 had the Corporation directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Investments in joint ventures

A joint venture is a joint arrangement whereby the Corporation and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Corporation uses the equity method to account for its investments in joint ventures.

Under the equity method, investments in a joint venture are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the joint venture. The Corporation also recognizes the changes in the Corporation's share of the equity of joint ventures attributable to the Corporation.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Corporation transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognized in the Corporation's financial statements only to the extent of interests in the joint venture that are not related to the Corporation.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost 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.

i. Intangible assets

1) Intangible assets acquired separately

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 the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

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 expense or depreciation expense) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. 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 FVTPL) 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 FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are financial assets mandatorily designated as at FVTPL, and include investments in equity instruments that do not meet the criteria of financial assets at amortized cost or investments in equity instruments at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and 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 24.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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, debt instruments, notes and accounts receivable (including related parties), other receivables and guarantee deposits (included in other non-current assets), 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.

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.

b) 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.

The impairment loss of all financial assets which are held by the Corporation is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) 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 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.

2) Financial liabilities

a) Subsequent measurement

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

b) 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.

1. 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.

1) Revenue from sale of goods

Revenue from sale of goods is recognized when the goods are delivered to the customer's specific location because it is the time when the customer has control over the goods and performance obligations are satisfied. Accounts receivable are recognized concurrently.

2) Revenue from technology supply

Revenue from technology supply is recognized in accordance with the terms of the technical service agreement, whereby the customer simultaneously acquires and consumes the performance benefits, based on production, sales, and other measurement methods for determining the royalty fee.

m. Leases

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

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 before the commencement date. 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 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, which comprise fixed payments and variable lease payments which depend on an index or a rate. 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 Corporation uses the lessee's incremental borrowing rate.

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, or a change in future lease payments resulting from a change in an index or a rate used to determine those 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.

n. Borrowing costs

Borrowing costs directly attributable to an 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. 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 service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services 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 past 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, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

p. 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 each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax 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 and interests in joint ventures, 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 and interests are recognized only to the extent that it is probable that there will be sufficient taxable profit 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 profit 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 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.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of accounting policies for joint ventures in which the Corporation and its subsidiaries have invested, management is required to make judgments, estimates and assumptions on 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 joint ventures in which the Corporation and its subsidiaries have invested consider the possible impact of the recent development of COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, 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.

a. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of products of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Income taxes

The income tax is amortized over periods. Temporary differences and unused tax credits that are deductible are recognized as deferred income tax assets, while the income tax effects of taxable temporary differences are recognized as deferred income tax liabilities. As of December 31, 2022 and 2021 the taxable temporary differences associated with investments in subsidiaries and joint ventures for which no deferred tax liabilities have been recognized were \$575,575 thousand and \$523,203 thousand, respectively. If these temporary differences were to reverse in the foreseeable future, it could result in significant income tax expense impacts.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash		
Cash on hand	\$ 120	\$ 148
Checking accounts and demand deposits	29,939	45,325
Cash equivalents		
Time deposits	<u>69,867</u>	<u>30,408</u>
	<u>\$ 99,926</u>	<u>\$ 75,881</u>

The interest rate intervals of cash in banks at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Demand deposits	0.001%-1.05%	0.001%-0.3%
Time deposits	1.9%-2.6%	2.1%

The credit risk management policy adopted by the Corporation involves transactions with financially sound financial institutions. The Corporation assesses impairment losses on cash and cash equivalents and financial assets measured at amortized cost based on an expected credit loss model. As the credit risk of cash and cash equivalents and financial assets measured at amortized cost is low, no impairment loss is recognized based on a 12-month expected credit loss assessment.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 15,004</u>	<u>\$ 20,002</u>

## 8. FINANCIAL ASSETS AT AMORTIZED COST- CURRENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Restricted foreign exchange deposit account for overseas funds	<u>\$ -</u>	<u>\$ 8,724</u>

The rate of repatriation of offshore funds is 0.3% per annum as of December 31, 2021.

Refer to Note 6 for information relating to credit risk management and impairment.

## 9. NOTES AND ACCOUNTS RECEIVABLE (INCLUDES RELATED PARTIES)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>3</u>	\$ <u>519</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 298,454	\$ 188,070
Less: Allowance for impairment loss	<u>(2,461)</u>	<u>(2,461)</u>
	<u>\$ 295,993</u>	<u>\$ 185,609</u>

### Notes and trade receivables

The average credit period for sales of goods is 30-95 days. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining 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 at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default records of the customer and the customer's current financial position. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off a trade receivable when there is evidence 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 aging of receivables was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
0 days	\$ 289,328	\$ 188,581
More than 1 to 60 days	9,118	-
More than 61 to 90 days	3	-
Overdue 91 days	<u>8</u>	<u>8</u>
Gross carrying amount	298,457	188,589
Loss allowance (Lifetime ECLs)	<u>(2,461)</u>	<u>(2,461)</u>
Amortized cost	<u>\$ 295,996</u>	<u>\$ 186,128</u>

As of December 31, 2022 and 2021, the balance of the allowance for losses was \$2,461 thousand.

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 79,554	\$ 28,893
Work in progress	76,744	58,127
Raw materials	87,801	58,296
Molds	<u>86,146</u>	<u>66,906</u>
	<u>\$ 330,245</u>	<u>\$ 212,222</u>

The nature of the cost of goods sold is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 1,352,264	\$ 1,169,714
Write-down of inventories and loss of inactive stock	<u>500</u>	<u>2,000</u>
	<u>\$ 1,352,764</u>	<u>\$ 1,171,714</u>

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investment in Subsidiaries

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Kian Shen Investment Co., Ltd.	<u>\$ 4,205,624</u>	<u>\$ 4,266,538</u>

The proportion of ownership and voting rights of the subsidiary of the Corporation was both 100% as of the balance sheet date.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>					
	<u>2022</u>			<u>2021</u>		
Personal use	<u>\$ 549,636</u>			<u>\$ 520,733</u>		
	<b>Land</b>	<b>Land Improvements</b>	<b>Plant and Equipment</b>	<b>Machinery</b>	<b>Miscellaneous Equipment</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2022	\$ 263,580	\$ 27,792	\$ 290,038	\$ 636,722	\$ 181,814	\$ 1,399,946
Additions	-	880	6,487	57,513	15,367	80,247
Disposals	-	-	-	(7,340)	(4,242)	(11,582)
Reclassifications	<u>-</u>	<u>-</u>	<u>144</u>	<u>427</u>	<u>-</u>	<u>571</u>
Balance at December 31, 2022	<u>\$ 263,580</u>	<u>\$ 28,672</u>	<u>\$ 296,669</u>	<u>\$ 687,322</u>	<u>\$ 192,939</u>	<u>\$ 1,469,182</u>

(Continued)

	Land	Land Improvements	Plant and Equipment	Machinery	Miscellaneous Equipment	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ (26,422)	\$ (228,338)	\$ (501,199)	\$ (123,254)	\$ (879,213)
Depreciation expense	-	(378)	(8,876)	(27,391)	(15,023)	(51,668)
Disposals	-	-	-	7,340	3,995	11,335
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (26,800)</u>	<u>\$ (237,214)</u>	<u>\$ (521,250)</u>	<u>\$ (134,282)</u>	<u>\$ (919,546)</u>
Carrying amounts at December 31, 2022	<u>\$ 263,580</u>	<u>\$ 1,872</u>	<u>\$ 59,455</u>	<u>\$ 166,072</u>	<u>\$ 58,657</u>	<u>\$ 549,636</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 263,580	\$ 27,792	\$ 287,767	\$ 620,496	\$ 163,924	\$ 1,363,559
Disposals	-	-	2,066	12,975	9,343	24,384
Additions	-	-	-	(12,927)	(4,907)	(17,834)
Reclassifications	-	-	205	16,178	13,454	29,837
Balance at December 31, 2021	<u>\$ 263,580</u>	<u>\$ 27,792</u>	<u>\$ 290,038</u>	<u>\$ 636,722</u>	<u>\$ 181,814</u>	<u>\$ 1,399,946</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ (25,880)	\$ (219,579)	\$ (490,346)	\$ (114,306)	\$ (850,111)
Depreciation expense	-	(542)	(8,759)	(22,977)	(12,870)	(45,148)
Disposals	-	-	-	12,124	3,922	16,046
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (26,422)</u>	<u>\$ (228,338)</u>	<u>\$ (501,199)</u>	<u>\$ (123,254)</u>	<u>\$ (879,213)</u>
Carrying amounts at December 31, 2021	<u>\$ 263,580</u>	<u>\$ 1,370</u>	<u>\$ 61,700</u>	<u>\$ 135,523</u>	<u>\$ 58,560</u>	<u>\$ 520,733</u>

(Concluded)

No impairment assessment was performed for the year ended December 31, 2022 and 2021 as there was no indication of impairment.

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

Category	Useful Life
Land improvements	3-20 years
Plant and equipment	
Main buildings	3-60 years
Electronic and mechanical power equipment	3-30 years
Engineering system	3-20 years
Machinery	4-10 years
Miscellaneous equipment	2-12 years

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Transportation equipment	<u>\$ 203</u>	<u>\$ 971</u>

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Depreciation charge for right-of-use assets		
Transportation equipment	\$ <u>768</u>	\$ <u>1,138</u>

The Corporation did not have significant sublease or impairment of right-of-use assets during the year ended December 31, 2022 and 2021.

The above item of lease arrangement is depreciated on a straight-line basis over their estimated useful life as follows:

<b>Category</b>	<b>Useful Life</b>
Transportation equipment	3 years

b. Lease liabilities

	<b><u>December 31</u></b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	\$ <u>206</u>	\$ <u>776</u>
Non-current	\$ <u>-</u>	\$ <u>206</u>

Range of discount rates for lease liabilities was as follows:

	<b><u>December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Transportation equipment	1.286%	1.286%

c. Other lease information

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to low-value asset leases	\$ <u>271</u>	\$ <u>271</u>
Total cash (outflow) for leases	\$ <u>(1,063)</u>	\$ <u>(1,168)</u>

The Corporation's leases of certain equipment qualify as short-term leases and low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 14. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 70,000</u>	<u>\$ 80,000</u>

The range of weighted average effective interest rates on bank loans was 1.81%-1.88% and 0.9% per annum on December 31, 2022 and 2021, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 68,750	\$ 68,750
Less: Current portion	<u>(17,187)</u>	<u>-</u>
Long-term borrowings	<u>\$ 51,563</u>	<u>\$ 68,750</u>

The range of issued interest rates for long-term borrowings as of the balance sheet date is as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest rates	1.35%	0.725%

This long-term borrowing is a credit borrowing and will be repaid in installments according to the repayment schedule from October 15, 2020, to April 15, 2023. The Corporation has entered into a medium-term credit agreement with a financial institution and is not allowed to revolve within the credit limit. On September 1, 2021, the Corporation entered into an extension contract with a financial institution to extend its repayment term to July 31, 2024, starting from October 15, 2023.

## 15. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes payable</u>		
Operating	\$ 175,742	\$ 105,720
Non-operating	<u>9,498</u>	<u>7,708</u>
	<u>\$ 185,240</u>	<u>\$ 113,428</u>
<u>Trade payables</u>		
Operating	<u>\$ 96,232</u>	<u>\$ 69,013</u>

The average credit period for purchases of raw materials and supplies is 3.5 months. The Corporation has a financial risk management policy to ensure that all payables are repaid within a predetermined credit period.

## 16. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (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.

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries for 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</u>	
	<u>2022</u>	<u>2021</u>
Present value of defined benefit obligation	\$ 97,419	\$ 109,012
Fair value of plan assets	<u>(98,764)</u>	<u>(99,554)</u>
Net defined benefit (assets) liabilities	<u>\$ (1,345)</u>	<u>\$ 9,458</u>

Movements in net defined benefit (assets) liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (Assets) Liabilities</b>
Balance at January 1, 2022	\$ <u>109,012</u>	\$ <u>(99,554)</u>	\$ <u>9,458</u>
Service cost			
Current service cost	1,061	-	1,061
Net interest expense (income)	<u>545</u>	<u>(505)</u>	<u>40</u>
Recognized in profit or loss	<u>1,606</u>	<u>(505)</u>	<u>1,101</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (Assets) Liabilities</b>
Remeasurement			
Return on plan assets (except for amounts included in net interest)	\$ -	\$ (8,270)	\$ (8,270)
Actuarial gain			
Changes in financial assumption	(4,305)	-	(4,305)
Actuarial loss			
Experience adjustments	<u>1,663</u>	<u>-</u>	<u>1,663</u>
Recognized in other comprehensive income	<u>(2,642)</u>	<u>(8,270)</u>	<u>(10,912)</u>
Contributions from the employer	-	(992)	(992)
Benefits paid	<u>(10,557)</u>	<u>10,557</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 97,419</u>	<u>\$ (98,764)</u>	<u>\$ (1,345)</u>
Balance at January 1, 2021	<u>\$ 120,555</u>	<u>\$ (106,528)</u>	<u>\$ 14,027</u>
Service cost			
Current service cost	1,267	-	1,267
Net interest expense (income)	<u>452</u>	<u>(406)</u>	<u>46</u>
Recognized in profit or loss	<u>1,719</u>	<u>(406)</u>	<u>1,313</u>
Remeasurement			
Return on plan assets	-	(1,481)	(1,481)
Actuarial loss or gain			
Changes in demographic assumptions	2,520	-	2,520
Changes in financial assumption	(1,021)	-	(1,021)
Experience adjustments	<u>2,918</u>	<u>-</u>	<u>2,918</u>
Recognized in other comprehensive income	<u>4,417</u>	<u>(1,481)</u>	<u>2,936</u>
Contributions from the employer	-	(2,966)	(2,966)
Benefits paid	(11,827)	11,827	-
Portion of benefits paid by the Corporation	<u>(5,852)</u>	<u>-</u>	<u>(5,852)</u>
Balance at December 31, 2021	<u>\$ 109,012</u>	<u>\$ (99,554)</u>	<u>\$ 9,458</u>

(Concluded)

The amounts recognized in profit or loss for defined benefit plans are summarized by function as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operation expenses	\$ 796	\$ 899
Management expenses	196	247
Research and development expenses	<u>109</u>	<u>167</u>
	<u>\$ 1,101</u>	<u>\$ 1,313</u>

Through the defined benefit plans under the Labor Standards Act, 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 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 plan's 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 are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.375%	0.500%
Expected rate of salary increase	2.250%	2.000%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	<u>\$ (1,627)</u>	<u>\$ (2,044)</u>
0.25% decrease	<u>\$ 1,669</u>	<u>\$ 2,100</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 1,625</u>	<u>\$ 2,033</u>
0.25% decrease	<u>\$ (1,593)</u>	<u>\$ (1,989)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	<u>\$ 1,000</u>	<u>\$ 3,000</u>
Average duration of the defined benefit obligation	6.8 years	7.5 years

## 17. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Amount of shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>73,400</u>	<u>73,400</u>
Shares issued and fully paid	<u>\$ 734,001</u>	<u>\$ 734,001</u>

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

### b. Capital surplus

The portion of capital surplus that was donated may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

### c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for offsetting losses of previous years and paying taxes, then for setting aside as legal reserve 10% of the remaining profit. If there is remaining profit, the profit shall be utilized for setting aside a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution. For the policies on the distribution of employees' compensation and remuneration of directors, refer to Note 19.

The Corporation operates in an industry environment that is constantly changing, and its business lifecycle is currently in the mature and stable stage. Considering the future operational funding needs and long-term financial planning, dividends are paid in the form of cash or shares. The Corporation's policy is that cash dividends should be at least 20% of total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 21, 2022 and July 29, 2021, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	<u>\$ 29,121</u>	<u>\$ 32,567</u>
Appropriation (Reverse) of special reserve	<u>\$ 14,786</u>	<u>\$ (36,366)</u>
Cash dividends	<u>\$ 154,140</u>	<u>\$ 161,480</u>
Cash dividends per share (NT\$)	<u>\$ 2.1</u>	<u>\$ 2.2</u>

The appropriation of earnings for 2022, which was proposed by the Corporation's board of directors on March 10, 2023, was as follows:

	<b>For the Year Ended December 31, 2022</b>
Legal reserve	\$ <u>27,855</u>
Reversal of special reserve	\$ <u>(56,482)</u>
Cash dividends	\$ <u>154,140</u>
Cash dividends per share (NT\$)	\$ 2.1

The appropriations of earnings for 2022, are subject to the resolution of the shareholders in their meeting to be held on June 15, 2023.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 382,220	\$ 418,586
Appropriations in respect of Debits to other equity items (reverses)	<u>14,786</u>	<u>(36,366)</u>
Balance at December 31	<u>\$ 397,006</u>	<u>\$ 382,220</u>

e. Other equity items

1) Exchange differences on translation on the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (397,006)	\$ (369,013)
Share from subsidiaries accounted for using the equity method	<u>56,482</u>	<u>(27,993)</u>
Balance at December 31	<u>\$ (340,524)</u>	<u>\$ (397,006)</u>

2) Unrealized gain on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2021</b>
Balance at January 1	\$ (13,207)
Recognized for the year Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal by associates	<u>13,207</u>
Balance at December 31	<u>\$ -</u>

## 18. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,487,347</u>	<u>\$ 1,264,880</u>
Other operation revenue	<u>\$ 12,918</u>	<u>\$ 10,728</u>

### Contract Balances

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1,</u> <u>2021</u>
Notes and accounts receivable (Notes 9 and 25)	<u>\$ 295,996</u>	<u>\$ 186,128</u>	<u>\$ 237,607</u>
Contract liabilities			
Sales of goods (Note 25)	<u>\$ 64,498</u>	<u>\$ 49,320</u>	<u>\$ 30,266</u>

The amount of contract liabilities from the beginning of the year recognized as income in the current year was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Contract liabilities from the beginning of the year		
Sales of goods	<u>\$ 22,193</u>	<u>\$ 15,142</u>

## 19. NET PROFIT FROM CONTINUING OPERATIONS

Net profit includes the following:

- a. Interest income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Bank deposits	<u>\$ 2,487</u>	<u>\$ 1,272</u>

- b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Gain (loss) on disposal of property, plant and equipment	\$ 9	\$ (1,414)
Financial assets classified as at FVTPL	154	43
Net foreign exchange gains (losses)	3,635	(5,547)
Others	<u>(100)</u>	<u>(273)</u>
	<u>\$ 3,698</u>	<u>\$ (7,191)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank and loans	\$ 1,546	\$ 1,042
Interest on lease liabilities	8	20
Fees	<u>7</u>	<u>26</u>
	<u>\$ 1,561</u>	<u>\$ 1,088</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 51,668	\$ 45,148
Right-of-use assets	768	1,138
Intangible assets	<u>2,411</u>	<u>1,787</u>
	<u>\$ 54,847</u>	<u>\$ 48,073</u>
 An analysis of depreciation by function		
Operating costs	\$ 47,252	\$ 41,091
Operating expenses	<u>5,184</u>	<u>5,195</u>
	<u>\$ 52,436</u>	<u>\$ 46,286</u>
 An analysis of amortization by function		
Operating costs	\$ 160	\$ 46
Management expenses	1,519	1,055
Research and development expenses	<u>732</u>	<u>686</u>
	<u>\$ 2,411</u>	<u>\$ 1,787</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits		
Defined contribution plans	\$ 6,535	\$ 6,454
Defined benefit plans (Note 17)	1,101	1,313
Short-term benefits		
Salary and wages	205,458	191,340
Health and labor insurance and group insurance	21,592	21,548
Others	<u>10,771</u>	<u>10,601</u>
	<u>\$ 245,457</u>	<u>\$ 231,256</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 181,614	\$ 168,770
Operating expenses	<u>63,843</u>	<u>62,486</u>
	<u>\$ 245,457</u>	<u>\$ 231,256</u>

f. 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 0.1% and no higher than 1%, 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 10, 2023 and March 14, 2022, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	0.68%	0.81%
Remuneration of directors and supervisors	0.50%	0.68%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	<u>\$ 2,344</u>	<u>\$ 3,086</u>
Remuneration of directors and supervisors	<u>\$ 1,717</u>	<u>\$ 2,595</u>

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 14, 2022 and March 18, 2021, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	<u>\$ 3,086</u>	<u>\$ 3,438</u>
Remuneration of directors and supervisors	<u>\$ 2,595</u>	<u>\$ 2,828</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 20. INCOME TAXES FOR CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

Major components of tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 82,803	\$ 52,173
Adjustments for prior years	(6,806)	(1,040)
Taxation for (refund) repatriated offshore funds	(593)	3,678
Income tax on unappropriated earnings	<u>4,658</u>	<u>8,400</u>
	<u>80,062</u>	<u>63,211</u>
Deferred tax		
In respect of the current year	<u>(53,032)</u>	<u>6,098</u>
Income tax expense recognized in profit or loss	<u>\$ 27,030</u>	<u>\$ 69,309</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax from continuing operations	<u>\$ 296,848</u>	<u>\$ 376,076</u>
Income tax expense calculated at the statutory rate	\$ 59,370	\$ 75,215
Non-deductible expense	(31)	(9)
Income tax on unappropriated earnings	4,658	8,400
Effect of deferred income tax on earnings of subsidiaries	(29,568)	(16,935)
Adjustments for prior years' tax	(6,806)	(1,040)
Taxation for (refund) repatriated offshore funds	<u>(593)</u>	<u>3,678</u>
Income tax expense recognized in profit or loss	<u>\$ 27,030</u>	<u>\$ 69,309</u>

For the year ended December 31, 2022, the Corporation completed substantial investments and repatriated \$593 thousand, per the 'Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.

On July 22, 2021, the Corporation repatriated RMB8,600 thousand after approval was obtained from the National Taxation Bureau, Ministry of Finance. The total income tax withholding was \$3,678 thousand based on the preferential tax rate at 10%.

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	<u>\$ 2,182</u>	<u>\$ (587)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax liabilities		
Income tax payable	<u>\$ 49,735</u>	<u>\$ 32,348</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Retirement defined benefit plans	\$ 1,891	\$ 22	\$ (1,913)	\$ -
Others	<u>2,251</u>	<u>38</u>	<u>-</u>	<u>2,289</u>
	<u>\$ 4,142</u>	<u>\$ 60</u>	<u>\$ (1,913)</u>	<u>\$ 2,289</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Retirement defined benefit plans	\$ -	\$ -	\$ (269)	\$ (269)
Reserve for land revaluation increment tax	(69,799)	-	-	(69,799)
Unappropriated retained earnings of subsidiaries	(250,332)	53,047	-	(197,285)
Others	<u>-</u>	<u>(75)</u>	<u>-</u>	<u>(75)</u>
	<u>\$ (320,131)</u>	<u>\$ 52,972</u>	<u>\$ (269)</u>	<u>\$ (267,428)</u>

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Loss</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Retirement defined benefit plans	\$ 2,805	\$ (1,501)	\$ 587	\$ 1,891
Others	<u>3,906</u>	<u>(1,655)</u>	<u>-</u>	<u>2,251</u>
	<u>\$ 6,711</u>	<u>\$ (3,156)</u>	<u>\$ 587</u>	<u>\$ 4,142</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land revaluation increment tax	\$ (69,799)	\$ -	\$ -	\$ (69,799)
Unappropriated retained earnings of subsidiaries	(246,739)	(3,593)	-	(250,332)
Others	<u>(651)</u>	<u>651</u>	<u>-</u>	<u>-</u>
	<u>\$ (317,189)</u>	<u>\$ (2,942)</u>	<u>\$ -</u>	<u>\$ (320,131)</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries and joint ventures for which no deferred tax liabilities have been recognized were \$575,575 thousand and \$523,203 thousand, respectively.

- f. Income tax assessments

The income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

## 21. EARNINGS PER SHARE

**Unit: NT\$ Per Share**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share	<u>\$ 3.68</u>	<u>\$ 4.18</u>
Diluted earnings per share	<u>\$ 3.67</u>	<u>\$ 4.18</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

### Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Profit of the Corporation	<u>\$ 269,818</u>	<u>\$ 306,767</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share		
Weighted average number of ordinary shares	73,400	73,400
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>51</u>	<u>64</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>73,451</u>	<u>73,464</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be 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.

## 22. CASH FLOW INFORMATION

### Non-cash transactions

In addition to those disclosed in other notes, the Corporation entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2022 and 2021:

- a. The Corporation reclassified prepayments for equipment amounting to \$571 thousand and \$29,837 thousand to property, plant and equipment during 2022 and 2021, respectively, as described in Note 12.
- b. The Corporation reclassified the current portion of long-term borrowings to current liabilities in the amounts of \$17,187 thousand during 2022, as described in Note 14.

## 23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The strategy for managing the capital structure of the Corporation is based on the scale of the business, the future growth of the industry and the blueprints of the products' development. The Corporation calculates trading funds and cash based on its production capacity in order to have a long-term and completed plan. The Corporation takes into account product competition to estimate the products' contribution, operating profit margin and cash flow. It also considers the business cycle and the products' life cycles and risks when deciding the appropriate capital structure. Key management personnel of the Corporation reviews the capital structure on a regular basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Generally, the Corporation uses a cautious risk management strategy.

The Corporation is not required to comply with any other external capital regulations.

**24. FINANCIAL INSTRUMENTS**

- a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 15,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,004</u>

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 20,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,002</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 15,004	\$ 20,002
Financial assets at amortized cost (Note 1)	484,082	270,733
<u>Financial liabilities</u>		
Amortized cost (Note 2)	587,760	468,713

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, financial assets at amortized cost and notes and accounts receivable (related parties included).

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes and accounts payable (related parties included), other payables and long-term borrowings (including maturity within one year).

d. Financial risk management objectives and policies

The Corporation's major financial instruments include financial assets at amortized cost, financial assets at FVTPL and financial liabilities at amortized cost. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The board of directors is solely responsible for established and monitored the framework of risk management of the Corporation, the board of directors authorized the chairman develop and monitored the risk management policy of the Corporation with the operation center of the Corporation, and regularly reported the situation to the board of directors.

The Corporation's financial risk management policies are developed for identifying and analyzing the financial risks to the Corporation, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management is periodically reviewed to reflect changes to the market and the operations. Through internal controls, such as training and setting up managing requirements and procedures, the Corporation is engaged in developing a disciplined and constructive control environment, in order to have all employees understand their own responsibilities.

The Corporation's management oversees the Corporation operation in compliance with financial risk management policies and reviews the appropriateness of the risk management structure under the supervision of the board of directors. Internal auditors, in assistance to the board of directors, perform periodical and exceptional reviews on the controls and procedures of financial risk management and report the results of the review to the board of directors.

This note presents information concerning the Corporation's risk exposure and the Corporation's targets, policies and procedures to measure and manage the risks.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The carrying amounts of the Corporation'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 year are set out in Note 28.

Sensitivity analysis

The Corporation is mainly exposed to the Renminbi (RMB) and the U.S. dollar (USD).

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency-denominated monetary items, and their translation at the end of the reporting period is adjusted for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and equity associated with a 5% strengthening of the New Taiwan dollar against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and equity, and the balances below would be negative.

	<b>RMB Impact</b>		<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss and equity	\$ 8,285	\$ 1,998	\$ 2	\$ 2

The result was mainly attributable to the exposure on cash and cash equivalents in RMB and USD that were not hedged at the end of the year.

b) Interest rate risk

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 69,867	\$ 39,132
Financial liabilities	206	982
Cash flows interest rate risk		
Financial assets	8,326	4,513
Financial liabilities	138,750	148,750

### Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. 25 basis points increase or decrease is 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 interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$326 thousand and \$361 thousand, respectively.

#### c) Other price risk

The Corporation was exposed to equity price risk through its investments in financial assets at FVTPL-beneficiary certificate. The market risk lies in the fluctuations of the transaction prices. Every investment made under the Corporation was carefully assessed to avoid and minimize market risks.

### Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to beneficiary certificate price risks at the end of the year.

If beneficiary certificate prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$750 thousand and \$1000 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

#### 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 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 Corporation due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Corporation, could be equal to the total of carrying amount of the respective recognized financial assets as stated in the balance sheets. The policy adopted by the Corporation is to only transact with reputable counterparties and to continuously monitor credit risk and the credit rating of our trading partners.

Apart from Company A and Company B, the Corporation did not have significant credit risk exposure to any single counterparty or any Corporation of counterparties having similar characteristics. The concentration of credit risk related to other companies except for Company A and Company B did not exceed 10% of gross trade receivables at any time during the years. Since Company A and Company B are reputable firms, the credit risk associated with them is limited.

#### 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 short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The table has 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.

December 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-5 Years</b>
Non-interest bearing	\$ 449,009	\$ -
Lease liabilities	\$ 208	\$ -
Variable interest rate liabilities	\$ 88,371	\$ 51,795

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-5 Years</b>
Non-interest bearing	\$ 319,963	\$ -
Lease liabilities	\$ 791	\$ 208
Variable interest rate liabilities	\$ 80,498	\$ 69,352

b) Financing facilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Unsecured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 138,750	\$ 148,750
Amount unused	<u>186,250</u>	<u>176,250</u>
	<u>\$ 325,000</u>	<u>\$ 325,000</u>
Line of guaranteed letter of credit:		
Amount used	\$ 20,000	\$ 20,000
Amount unused	<u>10,000</u>	<u>10,000</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent company is China Motor Corporation, which held 44% of the Corporation's common shares at the end of 2022 and 2021.

### a. Names and categories of related parties

<u>Related Party Name</u>	<u>Related Party Category</u>
China Motor Corporation	Parent company of the Corporation
Kian Shen Investment Co., Ltd.	Subsidiary
Kuozui Motors, Ltd.	Investor that has significant influence over the Corporation
Yulon Motor Co., Ltd.	Investor that has significant influence over the Corporation
ROC-Spicer Ltd.	Associate of the parent company
Coc Tooling & Stamping Co., Ltd.	Associate of the parent company
Hua-Chuang Automobile Information Technical Center Co., Ltd.	Associate of the parent company
Yue Ki Industrial Co., Ltd.	Associate of the parent company
Yulon Management Company Ltd.	Associate of the parent company
Luxgen Motor Co., Ltd.	Associate of the parent company
Yulon Nissan Motor Co., Ltd.	Associate of the parent company
Fuzhou Fushiang Motor Co., Ltd.	Joint venture of the Corporation
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	Joint venture of the Corporation
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	Joint venture of the Corporation
Xiamen King-Long Kian-Shen Frame Co., Ltd.	Joint venture of the Corporation
King-Long Kian-Shen (Hangzhou) Co., Ltd.	Joint venture of the Corporation

### b. Operating transactions

#### Sales of goods

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Parent company	\$ 603,800	\$ 683,751
	Investors that have significant influence over the Corporation		
	Kuozui Motors, Ltd.	682,241	360,769
	Yulon Motor Co., Ltd.	26,237	29,931
	Associates of the parent company		
	Yulon Nissan Motor Co., Ltd.	29	11,345
	ROC-Spicer Ltd.	21,335	21,303
	Others	1,421	1,762
	Joint ventures	-	30
		<u>1,335,063</u>	<u>1,108,891</u>
Other operating revenue	Joint ventures	<u>12,599</u>	<u>9,797</u>
		<u>\$ 1,347,662</u>	<u>\$ 1,118,688</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Associates of the parent company		
Yue Ki Industrial Co., Ltd.	\$ 166,935	\$ 175,748
Others	-	8
Investors that have significant influence over the Corporation	78,245	46,572
Parent company	<u>82</u>	<u>34</u>
	<u>\$ 245,262</u>	<u>\$ 222,362</u>

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2022	2021
Trade receivables from related parties	Parent company	\$ 109,327	\$ 93,173
	Investors that have significant influence over the Corporation		
	Kuozei Motors, Ltd.	134,324	44,643
	Others	7,489	5,590
	Associates of the parent company	5,725	7,697
Other receivables-related parties	Subsidiary		
	Kian Shen Investment Co., Ltd.	<u>88,160</u>	<u>-</u>
		<u>\$ 345,025</u>	<u>\$ 151,103</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

The prices of transactions between the Corporation and related parties are all based on agreed-upon conditions. Except for mold transactions, which are collected according to the contractually agreed-upon period, the payment period for transactions with related and unrelated parties is from 30 to 95 days after the end of each month.

e. Payables to related parties

Related Party Category/Name	December 31	
	2022	2021
Associates of the parent company		
Yue Ki Industrial Co., Ltd.	\$ 72,830	\$ 67,992
Others	830	830
Investor that have significant influence over the Corporation	18,327	5456
Parent company	<u>270</u>	<u>270</u>
	<u>\$ 92,257</u>	<u>\$ 74,548</u>

The outstanding trade payables to related parties are unsecured.

The prices of transactions between the Corporation and related parties are all based on agreed-upon conditions. The payment period for both related and unrelated parties is from 30 to 95 days after the end of each month.

f. Contract liabilities

Related Party Category/Name	December 31	
	2022	2021
Investors that have significant influence over the Corporation		
Kuozui Motors, Ltd.	\$ 36,431	\$ 33,416
Others	8,050	5,750
Parent company	12,912	6,853
Associates of the parent company	<u>17</u>	<u>17</u>
	<u>\$ 57,410</u>	<u>\$ 46,036</u>

g. Other transactions with related parties

China Motor Corporation, Kuozui Motors, Ltd., Yulon Motor Co., Ltd., and Yulon Management Company Ltd. performed certain administrative services for the Corporation. For the years ended December 31, 2022 and 2021, management fees of \$5,621 thousand and \$5,238 thousand, respectively.

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 36,243	\$ 33,250
Post-employment benefits	<u>1,005</u>	<u>897</u>
	<u>\$ 37,248</u>	<u>\$ 34,147</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Corporation at December 31, 2022 and 2021 were as follows:

- As of December 31, 2022 and 2021, unused letters of credit for the purchase of raw materials and machinery and equipment amounted to approximately \$13,315 thousand and \$3,372 thousand, respectively.
- In January 2014, the Corporation received a civil judgment from the Taoyuan District Court in Taiwan, which stated that the Corporation was responsible for compensating an employee for an occupational accident that occurred in August 2011. The case was appealed to the High Court, and in January 2020, the verdict was confirmed. The statute of limitations for this case was set to expire at the end of August 2021. Therefore, in September 2021, as it was determined that there was no possibility of further litigation, the remaining estimated losses related to the case were reversed.

## 27. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In February 2023, for adjusting investment plan, Xiamen King-Long Kian-Shen Frame Co., Ltd., one joint venture investee of the Group, signed an equity transfer agreement with a non-related party to sell its subsidiary, King-Long Kian-Shen (Hangzhou) Co., Ltd. The selling price was RMB\$113,639 thousand. This transaction was completed in March 2023.

## 28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 1	30.71 (USD:NTD)	\$ 36
RMB	37,590	4.408 (RMB:NTD)	165,695
Non-monetary items			
Subsidiaries accounted for using the equity method			
RMB	954,089	4.408 (RMB:NTD)	4,205,624

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 2	27.68 (USD:NTD)	\$ 33
RMB	9,199	4.344 (RMB:NTD)	39,962
Non-monetary items			
Subsidiaries accounted for using the equity method			
RMB	982,168	4.344 (RMB:NTD)	4,266,538

The significant unrealized foreign exchange gains (losses) were as follows:

<b>Functional Currency</b>	<b>For the Year Ended December 31, 2022</b>		<b>For the Year Ended December 31, 2021</b>	
	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	29.805 (USD:NTD)	\$ <u>6</u>	28.009 (USD:NTD)	\$ <u>(3)</u>
RMB	4.422 (RMB:NTD)	\$ <u>(1,028)</u>	4,341 (RMB:NTD)	\$ <u>2,202</u>

## 29. SEPARATELY DISCLOSED ITEMS

### a. Information on significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 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 (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (None)
- 10) Information on investees (direct or indirect significant influence on non-mainland investee companies, controller or joint controller) (Table 4)

### b. Information on investments 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, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
- 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 (None):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resultant gains or losses
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. 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 the percentage of ownership of each shareholder (Table 6)

**KIAN SHEN CORPORATION**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name/Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
Kian Shen Corporation	Beneficiary certificates FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss	964,854	\$ 15,004	-	\$ 15,004

Note: Refer to Tables 4 and 5 for the information on investments in subsidiaries and joint ventures.

**KIAN SHEN CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Seller/Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction	Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note)		Payment Terms	Ending Balance	
Kian Shen Corporation	China Motor Corporation	Parent company	Sale	\$ (603,800)	(41)	Payment made 45 days from the next month of delivery	Payment made 45 days from the next month of delivery	\$ 109,327	43
	Kuozui Motors, Ltd.	Investors that have significant influence over the corporation	Sale	(682,241)	(46)	Payment made 32 days from the next month of delivery	Payment made 32 days from the next month of delivery	134,324	52
	Yue Ki Industrial Co., Ltd.	Associate of the parent company	Purchase	166,935	14	Payment made 95 days from the invoice date	Payment made 95 days from the invoice date	(70,161)	(76)

## KIAN SHEN CORPORATION

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)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Kian Shen Corporation	China Motor Corporation Kuozi Motors, Ltd.	Parent company Investors that have significant influence over the corporation	\$ 109,327 134,324	5.96 7.62	\$ -	-	\$ 71,644	\$ -
					-	-	84,320	-

## KIAN SHEN CORPORATION

INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	%	Carrying Amount			
Kian Shen Corporation	Kian Shen Investment Co., Ltd.	British Virgin Islands	Investment	US\$ 10,296 thousand	US\$ 10,296 thousand	10,296	100.00	\$ 4,205,624	\$ 245,687	Subsidiary (Note)	
Kian Shen Investment Co., Ltd.	Kian Shen Investment Hong Kong Co., Limited	Hong Kong	Investment	US\$ 25,907 thousand	US\$ 25,907 thousand	25,907	100.00	RMB 926,114 thousand	RMB 48,228 thousand	Subsidiary (Note)	

Note: For information on investments in mainland China, refer to Table 5.

## KIAN SHEN CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Note 1)	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 3)	Carrying Amount as of December 31, 2022 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2022 (Note 2)
					Outward	Inward						
Guangzhou NTN-Yulon Drivertrain Co., Ltd.	Design, after sales service sales and manufacture for automotive-specific constant velocity steering knuckles	\$ 383,875 (US\$ 12,500 thousand)	Indirect investment in mainland China through a company registered in a third region	\$ 153,550 (US\$ 5,000 thousand)	\$ -	\$ -	\$ 153,550 (US\$ 5,000 thousand)	\$ 400,730 (RMB 90,622 thousand)	40	\$ 160,292 (RMB 36,249 thousand)	\$ 1,415,798 (RMB 321,188 thousand)	\$ 1,168,646 (RMB 264,280 thousand)
Fuzhou Fushiang Motor Co., Ltd.	Sales and manufacture of vehicles' components	546,024 (US\$ 17,780 thousand) (Note 4)	Indirect investment in mainland China through a company registered in a third region	87,063 (US\$ 2,835 thousand)	-	-	87,063 (US\$ 2,835 thousand)	18,385 (RMB 4,158 thousand)	35	6,437 (RMB 1,456 thousand)	369,516 (RMB 83,829 thousand)	219,128 (RMB 49,554 thousand)
Xiamen King-Long Kian-Shen Frame Co., Ltd.	Sales and manufacture of vehicles' components	423,168 (US\$ 96,000 thousand) (Note 5)	Indirect investment in mainland China through a company registered in a third region	46,894 (US\$ 1,527 thousand)	-	-	46,894 (US\$ 1,527 thousand)	(20,392) (RMB -4,612 thousand)	50	(10,196) (RMB -2,306 thousand)	185,006 (RMB 41,971 thousand)	-
Xiangyang NTN-Yulon Drivertrain Co., Ltd.	Design, after sales service sales and manufacture for automotive-specific constant velocity steering knuckles	1,044,140 (RMB 34,000 thousand) (Note 6)	Indirect investment in mainland China through a company registered in a third region	-	-	-	-	295,033 (RMB 66,719 thousand)	40	118,013 (RMB 26,688 thousand)	979,939 (RMB 222,309 thousand)	38,029 (RMB 8,600 thousand)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 (Note 1)	Investment Amount Authorized by Investment Commission, MOEA (Notes 1 and 4)	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 7)
\$304,090 (US\$9,902 thousand)	\$966,321 (US\$31,466 thousand)	\$2,771,886

Note 1: Converted at the exchange rates on December 31, 2022: US\$1=NT\$30.71, RMB1=NT\$4.408.

Note 2: Converted at the average exchange rates for the year ended December 31, 2022: RMB1=NT\$4.422.

Note 3: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements of the corresponding year.

Note 4: In addition to the remittance of cash investment, the amount includes US\$3,388 thousand of earnings transferred.

Note 5: In addition to the remittance of cash investment from the Corporation, the remaining balance includes US\$5,052 thousand of earnings transferred from Kian Shen Investment Hong Kong Co., Limited's surplus.

Note 6: Kian Shen Investment Hong Kong Co., Limited invested US\$13,600 thousand with its earnings.

Note 7: The calculation is based on the higher of 60% of the net value of the single or combined investment or technical cooperation in mainland China.

**TABLE 6****KIAN SHEN CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Ownership Percentage (%)
China Motor Corporation	32,201,367	43.87
Kuozui Motors, Ltd.	24,178,711	32.94

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 preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current year. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

# KIAN SHEN CORPORATION

## SCHEDULE OF THE STATEMENTS OF IMPORTANT ACCOUNTING ITEMS

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<b>Statement</b>	<b>Schedule Number/ Reference</b>
Statement of Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of receivable from related parties	2
Statement of inventories	3
Change of long-term equity investments accounted for using the equity method	4
Statement of note payable	5
Statement of accounts payable	6
Statement of Profit and Loss	
Statement of operating revenue	7
Statement of operating costs	8
Statement of operating expenses	9
Statement of analysis of employee benefits expense, depreciation and amortization by function	10

**KIAN SHEN CORPORATION****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars Unless Stated Otherwise)**

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<b>Item</b>	<b>Note</b>	<b>Amount</b>
Cash and cash equivalents		
Cash on hand	Including NT\$120 thousand	\$ 120
Checking accounts and demand deposits	Including NT\$22,244 thousand, JPY7 thousand, RMB1,737 thousand and US\$1 thousand	29,939
Bank time deposits	Including RMB15,850 thousand	<u>69,867</u>
		<u>\$ 99,926</u>

Note: Exchange rates are US\$1=NT\$30.71, RMB1=NT\$4.408 and JPY1=NT\$0.232.

**KIAN SHEN CORPORATION**

**STATEMENT OF RECEIVABLE FROM RELATED PARTIES**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Company Name</b>	<b>Amount</b>
China Motor Corporation	\$ 109,327
Kuozui Motors, Ltd.	134,324
Others (Note)	<u>13,214</u>
	<u>\$ 256,865</u>

Note: The balance of each account does not exceed 5% of the account.

**KIAN SHEN CORPORATION****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost (Note)</b>	<b>Net Realizable Value</b>
Finished goods	\$ 79,551	\$ 97,646
Work in progress	76,745	272,275
Raw materials	84,489	97,077
Supplies	3,314	-
Molds	<u>86,146</u>	<u>116,068</u>
	<u>\$ 330,245</u>	<u>\$ 583,066</u>

Note: Allowance for loss on inventory valuation included \$715 thousand in finished goods, \$2,380 thousand in work in progress, \$3,908 thousand in raw materials and \$3,997 thousand in molds.

**KIAN SHEN CORPORATION**

**CHANGES IN LONG-TERM EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2022		Increase in 2022		Decrease in 2022		Income from Investments (Note)	Accumulated Conversion Adjustment Recognized under the Equity Method	Balance at December 31, 2022		
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount			Shares (In Thousands)	Percentage of Ownership	Amount
Kian Shen Investment Co., Ltd.	10,296	\$ 4,266,538	-	\$ -	-	\$ (363,083)	\$ 245,687	\$ 56,482	10,296	100	\$ 4,205,624

Note: The carrying amount and related investment income of the equity investment were calculated based on the audited financial statements of the corresponding year.

**KIAN SHEN CORPORATION****STATEMENT OF NOTES PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Company Name</b>	<b>Amount</b>
Kun-Quan Co., Ltd.	\$ 30,456
Jia Fong Technology Co., Ltd.	15,193
Guang Yih Steel Industrials Co., Ltd.	11,481
Cheng Lih Hsin Industrial Co., Ltd.	9,383
Jiaxing Lumber Factory	8,512
Others (Note)	<u>110,215</u>
	<u>\$ 185,240</u>

Note: The amount of individual customers in others does not exceed 5% of the account balance.

**KIAN SHEN CORPORATION****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Company Name</b>	<b>Amount</b>
Kun-Quan Co., Ltd.	\$ 9,967
Toyota Tsusho (Taiwan) Co., Ltd.	9,638
Jia Fong Technology Co., Ltd.	9,135
Chun Yuan Steel Industry Co., Ltd.	8,000
Cheng Lih Hsin Industrial Co., Ltd.	7,457
Jiaxing Lumber Factory	4,841
King Lung Auto Manufacturing Co., Ltd	4,826
Others (Note)	<u>42,368</u>
	<u>\$ 96,232</u>

Note: The amount of individual customers in others does not exceed 5% of the account balance.

**KIAN SHEN CORPORATION****STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Number</b>	<b>Amount</b>
Frames	11,768	\$ 541,930
Towers	28,615	595,505
Components	1,106,654	316,604
Molds	6	<u>33,308</u>
		1,487,347
Service income		12,598
Others		<u>320</u>
		<u>\$ 1,500,265</u>

**KIAN SHEN CORPORATION****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Cost of goods sold	
Balance, beginning of year	\$ 58,296
Add: Raw materials purchased	445,117
Less: Raw materials, end of year	(87,801)
Revenue from sales of rejectable waste	(12,064)
Transferred to other accounts	<u>(79,208)</u>
	324,340
Direct labor	92,377
Manufacturing expenses	<u>237,503</u>
Manufacturing costs	654,220
Add: Work in progress at beginning of year	58,127
Molds - beginning of year	16,532
Purchased	686,526
Purchased - molds	3,047
Less: Work in progress at end of year	(76,744)
Molds	(32,896)
Transferred to other accounts	<u>9,855</u>
Cost of finished goods	1,318,667
Add: Finished goods at beginning of year	28,893
Molds	50,374
Purchased	55,544
Purchased - molds	29,703
Less: Finished goods at end of year	(79,554)
Molds	(53,250)
Transferred to other expenses	<u>1,887</u>
Cost of goods sold of finished goods	<u>1,352,264</u>
Other operating costs	
Inventories write-downs	<u>500</u>
Total cost of goods sold	<u>1,352,764</u>
Total operating costs	<u>\$ 1,352,764</u>

**KIAN SHEN CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Items</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Salary expenses	\$ 2,695	\$ 41,575	\$ 19,573	\$ 63,843
Depreciation	32	4,889	263	5,184
Others (Note)	<u>460</u>	<u>29,416</u>	<u>3,550</u>	<u>33,426</u>
	<u>\$ 3,187</u>	<u>\$ 75,880</u>	<u>\$ 23,386</u>	<u>\$ 102,453</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

**KIAN SHEN CORPORATION**

**STATEMENT OF ANALYSIS OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

	2022			2021		
	Amount of Operating Costs	Amount of Operating Expenses	Total	Amount of Operating Costs	Amount of Operating Expenses	Total
Employee benefits expense						
Salary	\$ 151,454	\$ 50,939	\$ 202,393	\$ 138,439	\$ 49,241	\$ 187,680
Labor and health insurance and group insurance	16,241	5,351	21,592	16,554	4,994	21,548
Pension	5,533	2,103	7,636	5,559	2,208	7,767
Board compensation	-	3,737	3,737	-	4,333	4,333
Other employee benefits	<u>8,386</u>	<u>1,713</u>	<u>10,099</u>	<u>8,218</u>	<u>1,710</u>	<u>9,928</u>
	<u>\$ 181,614</u>	<u>\$ 63,843</u>	<u>\$ 245,457</u>	<u>\$ 168,770</u>	<u>\$ 62,486</u>	<u>\$ 231,256</u>
Depreciation	<u>\$ 47,252</u>	<u>\$ 5,184</u>	<u>\$ 52,436</u>	<u>\$ 41,091</u>	<u>\$ 5,195</u>	<u>\$ 46,286</u>
Amortization	<u>\$ 160</u>	<u>\$ 2,251</u>	<u>\$ 2,411</u>	<u>\$ 46</u>	<u>\$ 1,741</u>	<u>\$ 1,787</u>

1. As of December 31, 2022 and 2021, the Corporation's average number of employees was 331 and 337 respectively, which included 9 and 8 non-employee directors, respectively.
2. The company whose shares are listed on TWSE or traded on TPEX shall disclose the following information:
  - a. The average amount of employee benefit expenses for the years ended December 31, 2022 and 2021 were \$751 thousand and \$690 thousand, respectively.
  - b. The average employee salary expenses for the years ended December 31, 2022 and 2021 were \$629 thousand and \$570 thousand, respectively.
  - c. The average employee salary expenses increased by 10% year over year.
  - d. The supervisor's remuneration for the years ended December 31, 2022 and 2021 were \$96 thousand and \$738 thousand, respectively.
  - e. The compensation for the Corporation's employees includes monthly salaries, three festival bonuses, annual performance-based bonuses, and other incentive bonuses based on the job position, contributions, and performance growth within the management team.
  - f. The performance evaluation and compensation for directors, supervisors, and managers of the Corporation are reviewed by the remuneration committee, taking into account their job positions, contributions, the Corporation's performance for the year, and considering the future risks of the Corporation.
  - g. According to the Corporation's Articles of Incorporation, the compensation for directors and supervisors of the Corporation is based on the extent and value of the services provided for the management of the Corporation and the overall operational performance of the Corporation. The reasonableness of related compensation is reviewed by the remuneration committee and the board of directors to ensure a balance between sustainable business operations and risk management.

**Kian Shen Corporation**



**Chairman:** 陳昭文



## **Environmental Safety and Health Policies**

**Comply with environmental safety and health regulations and obligations**

**Continuously improve the management system to enhance performance**

**Implement environmental protection to reduce hazards and risks**

**Aware of own responsibilities and obligations**

**Zero tolerance for workplace bullying and violence**

**Create an equal, healthy and friendly work environment**

**Regularly review the effectiveness of the environmental safety system**

**Communicate to all personnel working for the organization**

## **Environmental Safety Concept**

**Safety first, and prevention as the priority**

## **Highest Goals of Environment, Safety and Health**

**Safety: zero disaster      Health: zero Injury**

**Transportation: zero accident      Environment: zero pollution**

## **Business Philosophy**

**Loyalty: being loyal to duty, honest and harmonious**

**Responsibility: customer first, quality first**

**Progress: down-to-earth, thorough, innovative and developmental**

## **Quality Police**

**Group planning and effort: Work together for improvement, respect work, enjoy company and participate together**

**Quality first: Improve quality awareness and comply with work regulations**

**Customer satisfaction: Meet customer requirements and improve customer satisfaction**