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**TSANG YOW INDUSTRIAL CO., LTD.**

**2022 Annual Report**



**Printing Date: April 7, 2023**

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# Table of Contents

<b>Chapter One. Letter to Shareholders</b> .....	<b>1</b>
<b>Chapter Two. Company Profile</b> .....	<b>5</b>
I. Establishment Date .....	5
II. Company History .....	5
<b>Chapter Three. Corporate Governance Report</b> .....	<b>9</b>
I. Organizational Structure .....	9
II. Information on Directors, Supervisors, General Managers, Vice Presidents, Managers and Branch Heads .....	11
III. 2022 Remuneration Paid to Directors (including the Independent Directors), Supervisors, General Manager and Vice Presidents .....	27
IV. Corporate Governance .....	32
V. Independent Auditor Fee Information .....	81
VI. Change in CPAs.....	81
VII. Whether or not the chairman, general manager or manager in charge of financial or accounting affairs of the Company has worked in the firm of the independent auditor or its affiliated enterprises in the past year.....	2
VIII. Shareholding transfer and equity pledge by directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the printing date of the annual report .....	82
IX. Top-10 Shareholders Who are a Spouse or a Second-degree Relatives to Each Other.....	85
X. Shareholdings in the same investee enterprise held by the Company, its directors, supervisors, managers and the Company’s directly and indirectly controlled entities, and the consolidated shareholding ratio .....	87
<b>CHAPTER Four. Capital Formation</b> .....	<b>88</b>
I. Capital and Shares .....	88
II. Status of Corporate Bonds.....	94
III. Status of Preferred Shares .....	94
IV. Status of Global Depository Shares .....	94
V. Status of Employee Stock Option .....	94
VI. Status of Employee Restricted Stock.....	94
VII. Status of New Share Issuance in Connection with Mergers and Acquisitions.....	94
VIII. Implementation of the Capital Allocation Plans .....	94
<b>Chapter Five. Operational Highlights</b> .....	<b>95</b>
I. Business Content .....	95
II. Market, Production and Sales.....	104
III. The number of employees employed in the past two years and up to the annual report publication date, their average years of service, average age, and education levels.....	113

IV. Expenditure for Environmental Protection .....	113
V. Labor Relationship: .....	114
VI. Cyber Security Management .....	115
VII Important Contracts .....	117
<b>Chapter Six. Financial Highlights.....</b>	<b>118</b>
I. Financial Summary in the Past Five Years(Accounting Section) .....	錯誤! 尚未定義書籤。
II. Financial Analysis from the Past Five Years .....	121
III. For Audit Committee’s Review Report from the most recent year. ....	124
IV. For the financial report from the most recent year, including the independent auditor’s report, two-year comparative statements, including balance sheets, statements of comprehensive income, change of equity, and cash flow, as well as the footnotes or attached tables:.....	124
V. Parent-company only financial statement for the most recent fiscal year, audited and certified by a CPA, but not including the statements of major accounting items .....	124
VI. Financial difficulties experienced by If the Company or its affiliates in the most recent year up to the printing date of the annual report, with the explanation on impacts to the Company’s financial situation .....	124
<b>Chapter Seven. Analysis of Financial Position and Financial Performance, and Risk Events .....</b>	<b>126</b>
I. Financial Position .....	126
II. Financial Performance.....	127
III. Cash Flow .....	129
IV. Impacts from Major Capital Expenditures to the Financials in the Most Recent Year .....	130
V. The reinvestment policy for the most recent year, with main reasons of the profits/losses generated, the improvement plans, and investment plans for the following year .....	130
VI. Risk Events Analysis and Evaluation .....	130
VII. Other Important Matters .....	133
<b>Chapter Eight. Special Notes: .....</b>	<b>134</b>
I. Summary of Affiliated Companies .....	134
II. Private Placement Securities in the Most Recent Year and Up to the Printing Date of the Annual Report .....	137
III. Shares of the Company Acquired, Disposed of, Held by Subsidiaries in the Most Recent Year and up to the Printing Date of the Annual Report.....	137
IV. Other Necessary Supplement.....	137
<b>Chapter Nine. Any Events in the Most Recent Year and up to the Printing Date of the Annual Report That Had Significant Impacts on Shareholders’ Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act</b>	<b>137</b>

# Chapter One. Letter to Shareholders

Dear Shareholders,

Thank you all for taking the time to attend the 2023 Annual General Shareholders' Meeting. I would like to report the Company's operating results for 2022 and the business plan for 2023 as follows:

## I. The Company's Operating Results for 2022:

### (I) Implement Results for Business Plans:

In 2022, the pandemic in mainland China, the Russo-Ukrainian War, the shortage of chips, and inflation worsened the supply chain crisis of the global automotive industry and impacted the recovery of the global automotive sales market. The Group's 2022 consolidated revenue was NT\$1,790,943,000, a slight decrease of 2% compared to NT\$1,825,807,000 for 2021.

Regarding profits, thanks to the strong market demand for high-profit-margin AM and OES after-sales services, the effect of adjusted pricing strategies, and the strong U.S. dollar (USD), as well as the Company's continuous cost improvement in recent years, the Group's gross margin has been growing year by year. The Group's 2022 consolidated gross margin of (21%) increased by 7% compared with (14%) for 2021. Of it, the gross margin of the parent company in Taiwan increased significantly from 19% for 2021 to 27% for this year. The Group's consolidated net income after tax was NT\$165,390 thousand an increase of 459% compared to 2021. The after-tax earnings per share were NT\$1.62, an increase of NT\$1.33 from NT\$0.29 for 2021.

### (II) Implementation Status of the Budget:

The estimated consolidated revenue for 2022 was NT\$1,736,292 thousand and the actual consolidated revenue was NT\$1,790,943 thousand, which represents a 103% achievement rate.

### (III) Financial Performance and Profitability Analysis:

Item	Year			Increase (Decrease)(%)
	2021	2022		
Financial Performance	Revenue (NT\$ thousands)	1,825,807	1,790,943	(1.91)
	Gross Profit (NT\$ thousands)	259,181	379,938	46.59
	Net Income (NT\$ thousands)	29,606	165,390	458.64
Profitability Analysis	Return on Total Assets (%)	1.19	5.72	308.67
	Return on Equity (%)	1.99	10.57	431.16
	Pre-tax Income to Paid-in Capital Ratio (%)	3.38	19.34	472.19
	Net Margin (%)	1.62	9.23	469.75
	Earnings per Share (NT\$)	0.29	1.62	458.62

### (IV) Research and Development:

#### **The following are the R&D Department's results for 2022:**

- Successfully developed 68RFE Reaction Sungear / Hub
- Successfully developed a planet carrier for electric vehicles
- Successfully developed E-bike P1, P2, P3, P4 gear
- Successfully developed Ring gear, a part for the industrial machinery
- Successfully developed Cover, a the truck part
- Successfully developed Space ball, a marine outboard engine part
- Successfully developed 2 items including Oil pump Cover
- Successfully developed TVDC\_Drum & Shaft
- Successfully developed 6R140 Stator Cap, Turbine-Side
- Successfully developed 4R55E, 5R55E Late, A4LD Bearing Adapter
- Successfully developed 8DCL900\_Hinge Flange Assy (another version)
- Successfully developed 8DCL900\_Pump sprocket & Gear chain driv2

## II. Summary of 2023 Business Plan

### (I) Business Policy

- **Main Strategy:** Reduce costs and increase profits to achieve better performance; expand market with diversified services; increase efficiency with smart transformation; improve reputation with industrial safety and environmental protection.
- **Concrete Actions:**
  1. Strengthen profitability management, focus on niche products and customers, adjust development direction and production resources, strive for dominant businesses and long-term orders, penetrate into existing markets, and maximize profitability.
  2. Integrate internal and external resources, extend existing products and technological advantages, enter new business segments (new energy vehicle market) and develop diversified product markets, and gradually achieve long-term market goals.
  3. Implement the requirements for quality system and the management of the six elements in production (5M1E), and integrate with the precision methods to integrate resources, improve quality, eliminate waste, reduce costs, and enhance customers' trust in Tsang Yow.
  4. Optimize production and sales schedule to improve accuracy in demand/planning/output. Integrate the Group's supply system for hierarchical management, support potential suppliers, establish long-term strategic partnerships, and supplement with smart tools to improve the consistency and timeliness of demand and production information between suppliers, shorten the lead time both internally and externally, and satisfy customers' needs.
  5. Accelerate the digital transformation and production automation, introduce smart tools to optimize the workflow, reduce labor dependence and ineffective human work, and enhance administrative efficiency, abnormality prediction/management ability, and organizational decision-making ability.
  6. Take the company's future strategy and market positioning as the guidelines, to establish the forward-looking product planning capability and R&D system. Combine the resources from industry, government, and academia to enhance special process and special material processing technology, and reserve R&D capacity to meet the diversified market expansion needs.
  7. Accumulate experience in evaluation and development for core technologies and build organizational know-how. Also, we utilize process simulation software to shorten the development time, improve process planning skills, and reduce discrepancies in the early stage of production.
  8. Promote the GHG inventory (ISO 14064-1), develop and implement a management plan to achieve the organization's carbon reduction goals.
  9. Strengthen compensation systems to enhance competitiveness in recruitment and retention. Focus on key duties and core talents, implement succession cultivation, and enhance the organization's talent capabilities.

### (II) Estimated Sales Volume and the Basis and Important Production and Sales Policies

1. The Company's Sales Forecast for 2023 is as follows:

Unit: thousand pcs	
Item	Estimated sales volume for 2023
Automatic transmission components for automobiles	2,863
Clutch parts for heavy-duty trucks	691

Drivetrain parts for industrial machinery	227
Parts and components for new energy vehicle	243
Processing and others	39
Total	4,063

2. Basis: The estimated sales volume of the Company is determined based on the sales strategy and the 2023 Business Plan.

### III. Future Operation Direction

In response to the future development trends of the automotive industry and the changes and challenges in the global automotive market, the Company will continue to integrate group-wide advantages, build relevant strategic layouts, and carry out lean management, thereby creating higher values and profits for shareholders while pursuing sustainable business development:

#### (I) Marketing Strategy

1. In addition to consolidating the existing client base and markets, we will make good use of our excellent technical advantages (precision machining, stamping, welding, and gear processing) and complete quality management systems (ISO 9001, IATF 16949, and AS9100), transform products, as well as stepping into new sectors of the industry (new energy vehicle market) and diverse product markets, to increase revenue and bring the Company's products into a new era of continuous innovation and technological advancement.
2. The Company specializes in research and development (R&D) of industrial precision processing products with competitiveness and will advance processes, develop value-added application technologies, and enhance the high-value advantage of this industry.
3. In response to the rising demand of the semiconductor industry in the future, we, in respect of market development, will proactively build a layout across diverse industries and formulate a sustainable development business strategy.

#### (II) Business Management Strategy

1. Accelerating digital transformation, adopting production automation, and digitizing management. Optimizing the decision-making model and the production and sales process to satisfy client needs. Maximizing value and quality to create new value for the enterprise.
2. Integrating the Group's resources, streamlining production and management, optimizing the production and sales processes, and establishing a supply system for strategic collaboration to improve supply resilience.
3. Implementing ESG measures and enhancing corporate governance, environmental symbiosis, and shared prosperity, to become a reliable enterprise and pursue sustainable business growth.

In recent years, the global automotive market has experienced the US–China trade war and the headwinds of port congestion, the Russo-Ukrainian War, and the shortage of automotive chips, and the global supply chain has been chaotic; thus, automakers were forced to cut production, and the demand for traditional automotive industry chains has been sluggish. Looking ahead, after the automakers' backlog of orders over the past two years is gradually alleviated in 2023, the demand for production and sales in the automotive market is estimated to pick up. However, the issues of high inflation, shortage of energy resources, and transition to net zero continue to push up the costs of raw materials and lead to the underlying concerns about economic recession. Faced with the ever-changing environment, the Company will turn pressure into motivation, focus more on the improvement to internal capabilities, formulate competitive cost management and production and sales strategies to keep abreast of market niches, and proactively invest in the R&D of new technologies and high value-added products, while maintaining market competitiveness and creating more outstanding achievements. We hope that all shareholders will continue to support and encourage the Company when moving forward.

Best wishes to our shareholders

May you all have good health and a happy life

Chairman: Su, Chi-Tse

General manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

## Chapter Two. Company Profile

I. Establishment date: January 16, 1985

II. Company History:

Year	Important Milestones
1985	The Company was set up with a registered capital of NT\$5 million.
1989	Officially tapped into making, finishing and selling of torque converter parts.
1990	Product lines expansion including making, finishing and selling of automatic transmission and clutches for heavy-duty trucks.
1991	Product lines upgraded from simple parts finishing to oil hydraulic pump making.
1993	Acquired CNC lathes, surface grinders and external grinders to effectively enhance finishing precision and quality control.
1995	Successfully developed and mass manufactured large casing for Cover, a clutch in heavy-duty trucks, and created a dedicated on milling machine production line.
1996	Acquired CNC machine center for precise milling finishing. Capital increase of NT\$5 million, with a total registered capital of NT\$10 million.
1997	Successfully developed first major kit sets for automatic transmission, Planet, for GM TH700-R4 Planet. Total registered capital reached NT\$20 million, after an increase of cash capital of NT\$10 million.
1998	Successfully developed Planet Sets for automatic transmission used in Ford AXOD.
1999	Successfully developed Overdrive Planet sets for automatic transmission used in Ford A4LD with breakthrough in broken-toothed deep-drawing molding. Successfully developed Planetary set used in automatic transmission, Chrysler A604. Phased in plasma and laser welding through the cooperation with Metal Industries Research and Development Centre. Completed the development of Lid, torque converter for Ford E4OD, with the introduction of resistance spot welding. Acquired CO2 laser welding machine to enter the assembling business for automatic transmission component sets. Received ISO-9002 certification for international quality management system. Total registered capital reached NT\$59.66 million, after an increase of cash capital of NT\$5 million and earning conversion of NT\$34.66 million.
2000	Received QS-9000 certification for international-quality management system in automobile industry. Total registered capital reached NT\$59.66 million, after an increase of cash capital of NT\$40.15 million and earning conversion of NT\$159.47 million.
2001	Completed phasing-in ERP (enterprise resource planning) system. Completed phasing-in PDM (product data management) system. Qualified as a national defense supplier through the associated evaluation. Phased in thin-film toothed molding technology and acquired deep drawing hydraulic pressing machine and stamping pressing machine. Phased in CNC lathe robotic arms to speed up production automation and product precision. Total registered capital of NT\$183.39 million, after a capital increase from earning conversion of NT\$23.92 million.
2002	Received approval and grant for “Key Making Technology for Auto Air-Condition Compressor” from Department of Industrial Technology of the Ministry of Economic Affairs through co-working with Metal Industries Research and Development Centre. Set up a pressing plant to specialize in molding procedure for automatic transmission system. Received the 9th Taiwan SMEs Innovation Award for “thin-film toothed molding

Year	Important Milestones
	<p>technology and applied products” from the Ministry of Economic Affairs.</p> <p>Total registered capital reached NT\$258.40 million, after a capital increase from earning conversion of NT\$55.01 million and cash capital injection of NT\$20 million.</p> <p>Invested NT\$2 million in Yin Tai Industrial Co., Ltd.</p>
2003	<p>Production expansion in Zhongshan Plant.</p> <p>Total registered capital reached NT\$385.50 million, after an increase of cash capital of NT\$50 million and earning conversion of NT\$77.10 million.</p> <p>Received approval for public listing on July 16.</p> <p>Received ISO14001 certification.</p> <p>Phased in facilities for high-frequency hardening.</p> <p>Phased in facilities for CNC internal grinding.</p> <p>Received lab certification, ISO17025/CNLA.</p> <p>Total registered capital reached NT\$400.50 million, after an increase of capital of NT\$15 million from merger transaction.</p> <p>Merged with Tsang Yow Gear Co., Ltd., a subsidiary.</p>
2004	<p>Completion of the construction of Zhongshan Plant, followed by production migration.</p> <p>Invested US\$3.5 million in Wuxi Tsang Yow Auto Parts Co., Ltd.</p> <p>Invested US\$0.5 million in Wuxi AUF-Der Bin International Corp.</p> <p>Approved listed as an emerging stock on June 11.</p> <p>Total registered capital reached NT\$480.60 million, after the capital increase from conversions from earnings and capital surplus for of NT\$56.07 million and NT\$24.03 million, respectively.</p> <p>Received ISO/TS16949 certification, 2002 version.</p>
2005	<p>Received a syndication loan of NT\$750 million from Chang Hwa Bank.</p> <p>Received ISO14001 certification, 2004 version.</p> <p>Total registered capital reached NT\$528.66 million, after the capital increase from conversions from earnings and capital surplus for of NT\$24.03 million, respectively.</p> <p>Invested US\$0.146 million in Chung Yu Casting Tangshan Ltd.</p>
2006	<p>Total registered capital reached NT\$628.66 million, after an increase of cash capital of NT\$100 million.</p> <p>Invested NT\$34.35 million in Chia Yi Steel Co., Ltd.</p> <p>Qualified as a BorgWarner and GM-Taiwan supplier after receiving its supplier certification</p>
2007	<p>First issuance of employee stock warrant.</p> <p>Qualified as a General Motor supplier after receiving its supplier certification.</p> <p>ZF supplier certification.</p> <p>BRP supplier certification.</p> <p>Establishment of Zhongshan Plant 3.</p> <p>Received a syndication loan of NT\$1 billion from Chang Hwa Bank.</p>
2008	<p>Magna ZF supplier certification.</p> <p>Completion of the construction of Zhongshan Plant 2, followed by production migration</p> <p>Qualified as an IVECO supplier (a member of FIAT Group) after receiving its supplier certification.</p> <p>Best supplier award from BorgWarner.</p> <p>Total registered capital reached NT\$741.24 million, after an increase of cash capital of NT\$200 million.</p> <p>First shipment from the mass production of GM line.</p> <p>Total registered capital reached NT\$816.32 million, after a capital increase from earning conversion of NT\$749.74 million.</p>
2009	<p>Audit work from FIAT, China for potential supplier.</p> <p>Audit work from Eaton, China for potential supplier.</p> <p>Audit work from CKD, Japan for potential supplier.</p>

Year	Important Milestones
	<p>Completion of phasing-in of flexible manufacturing system for Mazak, Japan.  Received CVT evaluation from Chery for its total bearing planet gear set.  Received CVT evaluation from Zoder Corp. Ltd.  PPAP audit from BRP.  Received development project for parts used in transmission systems for Honda.  Received development project for parts used in transmission systems for GM electric vehicle.  Received development project for parts used in Punch Powertrain CVT Housing.  Total registered capital reached NT\$916.32 million, after an increase of cash capital of NT\$100 million.</p>
2010	<p>Received development project for parts used in 6-speed transmission system from DSI.  Received development project for gear boxes from Ligier, France.  Received development project for DCT stamping pressing parts from BorgWarner.  Received development project for machine parts from Eaton-Japan.  Received development project for DCT stamping pressing parts from BorgWarner.  Received a syndication loan of NT\$1 billion from Chang Hwa Bank.</p>
2011	<p>Advocated TOSHMS  ISO9001:2008 renewal  ISO/TS 16949:2008 renewal  ISO14001:2004 renewal</p>
2012	<p>A NT\$1 billion syndication loan was commissioned to Land Bank of Taiwan through the approval from the Board Meeting  The prototype for PUNCH planet gear sets was developed successfully</p>
2013	<p>PUNCH planet gear sets entered trial and mass production  Successfully developed clutch casing and planet rack for Chery 4AT  Successfully developed GM Carrier Asm-input</p>
2014	<p>Received orders from Magna 6T45/6T50 COVER-A/TRNS FLUID PUMP  Received development project for DISC DRUM CPL.FXD from BorgWarner  Received development project for PISTON for ZF  Total registered capital reached NT\$1,031 million in May, after an increase of cash capital of NT\$114.550 million  Shares of the Company started to trade on Taiwan Stock Exchange on May 14</p>
2015	<p>Received a syndication loan of NT\$1 billion and US\$10 million from Chang Hwa Bank and Land Bank of Taiwan  Expansion plan started for Zhongshan Plant 3  Phased in 2,000-ton automatic transfer stamp pressing equipment</p>
2016	<p>Construction completed for Zhongshan Plant 3  The 2,000-ton automatic transfer stamp pressing equipment was put in use officially</p>
2017	<p>Setup completed for stamp pressing business department and dedicated automatic CVT production line in Zhongshan business department  Setup completed for dedicated production lines for Valeo and BorgWarner in Wuxi Tsang Yow  Wuxi Tsang Yow received high-tech enterprise recognition</p>
2018	<p>Phased in complex-type lathes  Phased in digital-controlled gear grinding equipment  Phased in gear milling equipment from Power Skiving  Phased in heavy vertical spinning machines  Phased in twin axis blade tower lathes  Passed ISO 9001 certification, 2015 transfer version  Passed IATF 16949 certification, 2016 transfer version</p>

Year	Important Milestones
	Passed ISO 14001 certification, 2015 transfer version Early repayment of a syndication loan of NT\$1 billion and US\$10 million from Chang Hwa Bank and Land Bank of Taiwan
2019	Phased in 4000W automatic laser welding equipment Phased in 5-axis machining center from DMG Phased in audio-frequency testing equipment used in gearbox Phased in auto grinder and polisher to replace manual processing Started building networking linking among production machines Phased in smart logistic system
2020	Phased in AS9100, a standardized quality management system for the aerospace industry Phased in ISO45001, a standard for management systems of occupational health and safety
2021	Passed AS9100:D certification Passed ISO 45001 certification, 2018 version Awarded “Dynamic Prize for 2021 Prominent Healthy Workplace” from Health Promotion Administration, Ministry of Health and Welfare Badge of Health Promotion - Badge of Accredited Healthy Workplace from Health Promotion Administration, Ministry of Health and Welfare was received by Zhongshan Plant
2022	Received supplier qualification from aerospace customers Awarded “Health Management Prize for 2022 Prominent Healthy Workplace” from Health Promotion Administration, Ministry of Health and Welfare Badge of Health Promotion – Badge of Accredited Healthy Workplace from Health Promotion Administration, Ministry of Health and Welfare was received by Chenggong Plant 1

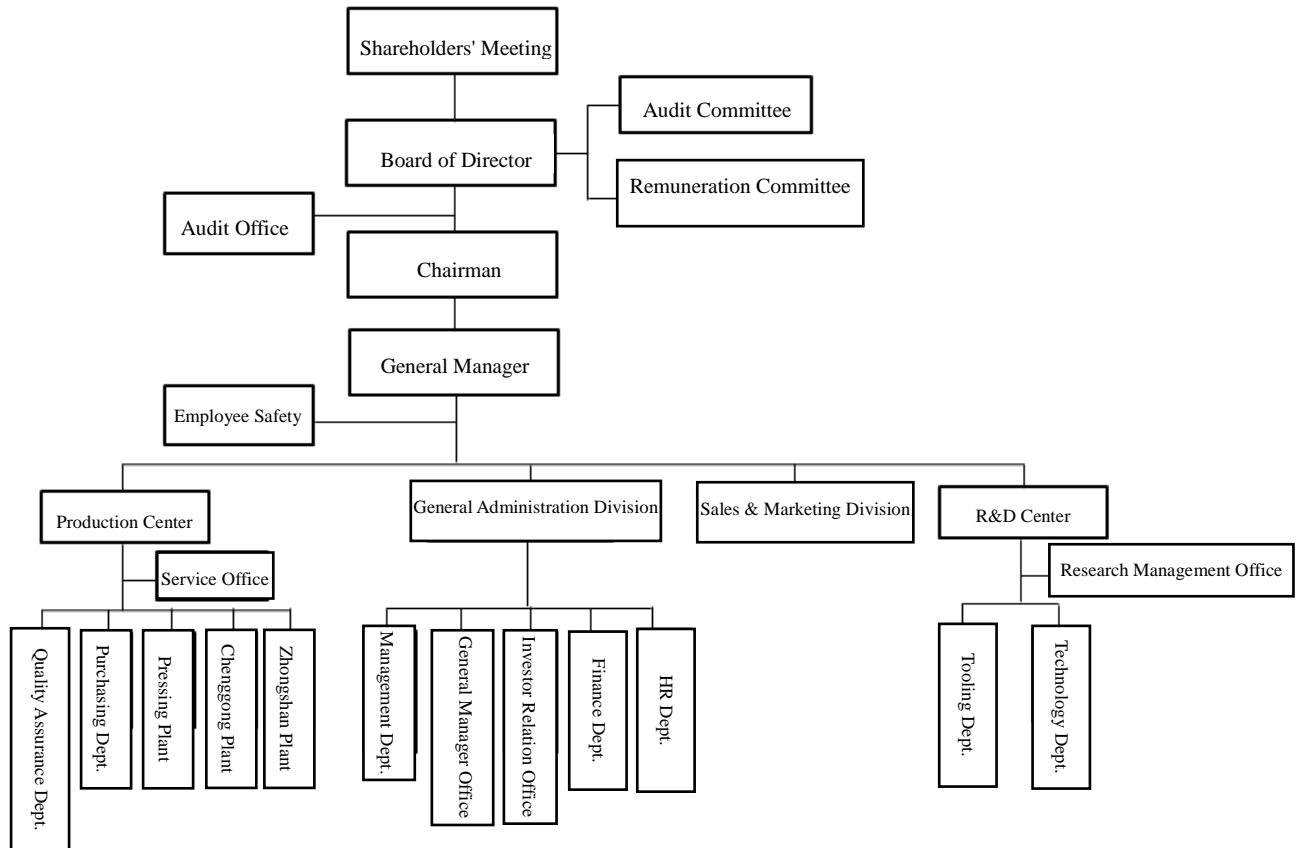
# Chapter Three. Corporate Governance Report

## I. Organizational Structure

### (I) Tsang Yow Organization Chart:



Organizationak Structure of the Comapy



### (II) Departmental Functions and Duties:

Major Departments	Job Scope and Responsibilities
Chairman	Business strategy decision making.
Audit Office	Audit work planning and execution among the Company and the affiliate entities.
Worker Security Office	Planning, supervising and promoting worker security and health system and occupational casualty prevention.
Research and Development Center	New product development, including pricing, developing, proofing; Design, development and management of samples, fixtures and molding tools; New technology phase-in and production improvement.
Marketing Division	New product development project management, product development and diversification planning. New technology and resource analysis and evaluation for new market and product. Product selling, business expansion, market research and analysis. Making and execution of marketing strategies and customer relation maintenance and management.
Production Center	Production management, including making, quality assurance, purchasing, production management, warehousing, and shipping packaging to guarantee quality, cost, delivery to satisfy requirement from the client and meet

	operational profit target.
General Administration Division	Consolidating management functions across all service departments to enhance corporate efficiency.
Operation Management Department	HR strategy and policy formulation according to the Company's operation targets. Talent cultivation to ensure organizational performance and competitiveness. Spearheads workflow streamlining for each department and carries out administrative assignment in other departments.
General Manager Office	Operation planning, group operation management and assistance, monitoring improvement campaign and project, promoting management and quality systems, and issuance control for technology documentation and assorted and regulation chapters.
Investor Relation Office	Significant information release and explanation. Improving information transparency, corporate governance. Planning and executing investor event. Compilation of implementation information regarding corporate social responsibilities.
Financial Dept.	Implementation and management of group-based accounting and finance policies, annual budget, planning and control, financial statement and operation document preparation, operation capital funding and management. Board of Directors owner: Assisting in the implementation of corporate governance, law compliance, and the preparation of shareholders' meeting, as well as stock affairs and communication to foreign investors.
Management Dept.	Overseeing general affairs and group information management system to support the Company's operation target and to ensure the establishment, implementation and maintenance of the environmental system.

II. Information on Directors, Supervisors, General Managers, Vice Presidents, Managers and Branch Heads

(I) Directors and Supervisors:

April 1, 2023

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (assuming) Date	Term of Office	Date Initially Elected (Note 3)	Shareholdings when Elected		Current Shareholdings		Current Shareholdings by Spouse or Minor Children		Shareholdings in Other's Names Shareholdings %		Major Experience (academic) Backgrounds(Note 4)	Current Position in the Company and other Entities at the Moment	Other Managers, Directors or Supervisors with a Spouse or Second-Degree Relative Relationship			Remark (Note 5)
							No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %			Title	Name	Relationship	
Chairman	Taiwan	Su, Chi-Tse	Male 41-50	July 15, 2021	3 years	June 13, 2018	1,431,867	1.39%	1,781,867	1.73%	0	0%	0	0%	Bachelor's degree in Business Administration and EMBA, Tunghai University Production Manager and HR Manager, Linesoon Industrial Co.,Ltd.; General Manager and Chairman, Tsang Yow Industrial Co., Ltd.	Chairman of the Company, All-Aspect International Corp., Giant Finance Inc., Business International Corp., Wuxi Tsang Yow Auto Parts Co., Ltd., and Rich Pool Investment Co. Ltd.; Director, Golden Top Investment Co., Ltd. and Linesoon Investment Co.,Ltd.; Supervisor, Linesoon Industrial Co.,Ltd. Corp.	Director/General Manager	Su, Chi-Hu	Brothers	
																	Vice President, Sales & Marketing Department	Chu, Chen-Yi	In-law	
Director	Taiwan	Rich Pool Investment Co., Ltd.		September 10, 2021	3 years	June 29, 2012	7,961,779	7.72%	7,961,779	7.72%	0	0%	0	0%	-	-	-	-	-	
		Representative: Su, Chi-Hu	Male 41-50				737,000	0.71%	682,000	0.66%	1,499,491	1.45%	0	0%	Bachelor's degree in Business Administration, University of Denver, U.S.A. and EMBA, National Cheng Kung University Production Management, Plant Supervising, and Sales Associate and HR manager in Linesoon Industrial Co.,Ltd.	Director, Business International Corp. and Rich Pool Investment Co., Ltd.; General Manager, Tsang Yow Industrial Co., Ltd.	Chairman	Su, Chi-Tse	Brothers	
																	Vice President, Sales & Marketing Department	Chu, Chen-Yi	Spouse	

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (assuming) Date	Term of Office	Date Initially Elected (Note 3)	Shareholdings when Elected		Current Shareholdings		Current Shareholdings by Spouse or Minor Children		Shareholding in Other's Names Shareholding %		Major Experience (academic) Backgrounds(Note 4)	Current Position in the Company and other Entities at the Moment	Other Managers, Directors or Supervisors with a Spouse or Second-Degree Relative Relationship			Remark (Note 5)
							No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %			Title	Name	Relationship	
Director	Taiwan	Rich Pool Investment Co., Ltd.		July 15, 2021	3 years	June 29, 2012	7,961,779	7.72%	7,961,779	7.72%	0	0%	0	0%	-	-	-	-	-	
		Representative: Hsieh, Hsin-Shu	Male 61-70				0	0%	0	0%	0	0%	0	0%	Bachelor's degree in Accounting, Chengchi University; EMBA, National Chung Cheng University; System Designer, China Steel Computing Center; CPA Examination, 1983; Senior Auditor, Deloitte Taiwan; Person in charge, Hsin-Shu, Hsieh CPA Firm	Person in charge of Hsin-Shu, Hsieh CPA Firm; Independent Director, China Steel Chemical	None	None	None	
Director	Taiwan	Golden Top Investment Co., Ltd.		July 15, 2021	3 years	June 29, 2012	7,427,058	7.2%	7,427,058	7.2%	0	0%	0	0%	-	-	-	-	-	
		Representative: Yang, Yen-Ching	Female 61-70				13,000	0.01%	13,000	0.01%	0	0%	0	0%	Business majored, Nanying Vocational High School Finance Manager, Linesoon Industrial Co.,Ltd.	Finance Manager, Linesoon Industrial Co.,Ltd.	None	None	None	
Director	Taiwan	Su, Hsin-Cheng	Male 61-70	July 15, 2021	3 years	June 03, 2003	1,717,762	1.67%	1,717,762	1.67%	0	0%	0	0%	Psychology, Chengchi University General Manager, Linesoon Industrial Co.,Ltd.	General Manager, Linesoon Industrial Co.,Ltd.; Director, Linesoon Industrial Co.,Ltd. and Linesoon Investment Co.,Ltd.; Chairman, Golden Top Investment Co., Ltd. and Trantop International Co., Ltd.	None	None	None	
Director	Taiwan	Chu, San-Tu	Male 61-70	July 15, 2021	3 years	December 26, 2003	601,058	0.58%	601,058	0.58%	837,584	0.81%	0	0%	Nantou Junior High School	Chairman, Sun Forging Industrial	Vice President, Sales &	Chu, Chen-Yi	Father and daughter	

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (assuming) Date	Term of Office	Date Initially Elected (Note 3)	Shareholdings when Elected		Current Shareholdings		Current Shareholdings by Spouse or Minor Children		Shareholding in Other's Names Shareholding %		Major Experience (academic) Backgrounds(Note 4)	Current Position in the Company and other Entities at the Moment	Other Managers, Directors or Supervisors with a Spouse or Second-Degree Relative Relationship			Remark (Note 5)
							No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %			Title	Name	Relationship	
															Chairman, Sun Forging Industrial Co., Ltd. and Jin Shiang Forging Co., Ltd.	Co., Ltd. and Jin Shiang Forging Co., Ltd.	Marketing Department			
																	Director/General Manager	Su, Chi-Hu	Son in-law	
Independent Director	Taiwan	Ou, Chin-Shyh	Male 61-70	July 15, 2021	3 years	June 13, 2018	0	0%	0	0%	0	0%	0	0%	Ph.D. in Business Management (Accounting Focused), University of Minnesota; Professor, Department of Accounting and Information Technology, National Chung Cheng University; Independent Director, Chi Hua Fitness Corp.	Honorary Professor, Department of Accounting and Information Technology, National Chung Cheng University; Visiting Professor, Department of Accounting and Information Technology, Asia University; Independent Director, ChipMOS Technology and Yong Chang International Co., Cayman	None	None	None	
Independent Director	Taiwan	Chen, Chih-Chang	Male 51-60	July 15, 2021	3 years	July 15, 2021	0	0%	0	0%	0	0%	0	0%	Ph.D. in Business Administration, National Yunlin University of Science and Technology; Master's in Public Administration, Eastern Washington University; Director, Bothhand Enterprise Inc.; Head of Department of Business Administration, Taiwan Shoufu University; Chief Representative,	Chairman, Tiso Technology Co., Ltd.; Director, WU Jin-Mao Memorial Cultural and Education Foundation; Adjunct Assistant Professor, Nanhua University; Independent Director, Man Zai Industrial Corp, and Aeonmotor Co., Ltd.	None	None	None	

Title (Note 1)	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (assuming) Date		Term of Office	Date Initially Elected (Note 3)	Shareholdings when Elected		Current Shareholdings		Current Shareholdings by Spouse or Minor Children		Shareholdings in Other's Names Shareholdings %		Major Experience (academic) Backgrounds(Note 4)	Current Position in the Company and other Entities at the Moment	Other Managers, Directors or Supervisors with a Spouse or Second-Degree Relative Relationship			Remark (Note 5)
				No. of Shares	Shareholding %			No. of Shares	Shareholding %	No. of Shares	Shareholding %	No. of Shares	Shareholding %	Title	Name			Relationship			
																Beijing Office, China Life Insurance Company; Assistant Professor, certified by Ministry of Education (Zhu-Li-Zi No.039025), Curriculum Committee, Southern Taiwan University of Science and Technology; Secretary, Tainan I-Tsai Association; Adjunct Assistant Professor, National Yunlin University of Science and Technology					
Independent Director	Taiwan	Lin, Chiu-Hsien	Male 61-70	July 15, 2021	3 years		July 15, 2021	0	0%	0	0%	55,000	0.05%	0	0%	Bachelor's degree in Public Finance, Feng Chia University Auditor, National Taxation Bureau of the Southern Area, Ministry of Finance; Section Leader, Finance Administration, Jiali District Office, Tainan City	None	None	None	None	

Note 1: For corporate shareholders, name of the institution and representative shall be displayed (corporate representatives shall include the name of the institutions) with Table 1 below filled.

Note 2.: Actual age or the age brackets, such as 41~50 or 51~60, shall be indicated.

Note 3: Dates when the director or supervisor was first elected shall be provided. If the office term was later suspended, an explanation shall be included.

Note 4: Relevant experience with the current position. If a former employee from the auditing CPA firm or affiliated entities, details of the job title and duties shall be disclosed.

Note 5: When the Chairman and the General Manager or person of an equivalent post (the highest-level manager) are the same person, spouses, or first-degree relatives, an explanation, regarding the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of director seats, or decreasing the percentage of employee directors to less than 50%), shall be provided.

## 1. Corporate Shareholder Information:

### (1) Table 1: Major Shareholders of the Corporate Shareholder

April 1, 2023

Corporate Shareholder (Note 1)	Major Shareholders of the Corporate Shareholder (Note 2)
Rich Pool Investment Co., Ltd.	Linesoon Investment Co.,Ltd. (Representative: Su, Chin-Chih) (26.67%), Hsu, Wen-Ying(10.50%), Cheng, Hsiu-Pen(6.92%), Huang, Li-Mei(5.83%), Su, Hsin-Cheng(4.83%), Su, Chi-Hu(4.75%), Su, Chi-Tse(4.50%), Su, Chi-Wen(4.17%), Su, Chih-Cheng(4.08%), Su, Chih-Chung(4.08%)
Golden Top Investment Co., Ltd.	Linesoon Investment Co.,Ltd. (Representative: Su, Chin-Chih) (25.00%), Hsu, Wen-Ying(13.75%), Cheng, Hsiu-Pen(11.25%), Su, Chi-Tse(10.00%), Huang, Li-Mei(6.25%), Su, Chih-Cheng(5.00%), Su, Yu-Chih(5.00%), Su, Yu-Chan(5.00%), Su, Chih-Chung(5.00%), Su, Hsin-Cheng(3.75%), Su, Yung-Chang(3.75%).

Note 1: Names of corporate shareholder shall be disclosed when the director or supervisor is represented by a natural person.

Note 2: Names of major shareholders of the corporate shareholder and the shareholding percentage shall be disclosed, if a top-10 shareholder. Table 2 below shall be filled if a legal person.

Note 3: Corporate shareholder not an institution, name of the shareholder and his/her shareholding are the investor or the sponsor (please refer to the notification from Judicial Yuan) and his/her investment or sponsorship percentage. Deceased sponsors shall be noted.

### (2) Table 2: Table 1 Key Shareholders of the Top Corporate Shareholders

April 1, 2023

Corporate Shareholder (Note 1)	Key Shareholders of the Corporate Shareholder (Note 2)
Linesoon Investment Co.,Ltd.	Su, Yu-Chih(8.32%), Hsu, Wen-Ying(7.66%), Su, Yu-Chan(7.60%), Cheng, Hsiu-Pen(7.48%), Su, Yu-Cheng(7.16%), Su, Chin-Chih(6.92%), Su, Chi-Tse(6.58%), Su, Chih-Cheng(6.38%), Su, Chih-Chung(6.30%), Su, Chi-Hu(5.13%).

Note 1: From Table 1 above, names of corporate shareholder shall be disclosed if a legal person.

Note 2: Names of major shareholders of the corporate shareholder and the shareholding percentage shall be disclosed, if a top-10 shareholder.

Note 3: Corporate shareholder not an institution, name of the shareholder and his/her shareholding are the investor or the sponsor (please refer to the notification from Judicial Yuan) and his/her investment or sponsorship percentage. Deceased sponsors shall be noted.

Directors and Supervisors Information

**(II) Professional Knowledge and Independence of Directors, Supervisors and independent**

**Directors:**

Qualification Name	Professional Knowledge and Experience (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
Su, Chi-Tse	Has more than five years of needed experience in business, including production and HR manager, Linesoon Industrial Co.,Ltd.; General Manager, Tsang Yow Industrial Co., Ltd. Possesses the ability to make operation judgements, operation management, and critical decisions, as well as industrial knowledge and capability to lead. Current Chairman of Rich Pool Investment Co., Ltd. and not in violation of Article 30 under the Company Act.	<p>(1) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</p> <p>(2) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</p> <p>(3) Not because of a status of a government agency, a legal person or the representatives thereof elected as described under Article 27 of the Company Act.</p>	
Rich Pool Investment Co., Ltd. Representative : Su, Chi-Hu	Has more than five years of needed experience in business, including HR manager, Linesoon Industrial Co.,Ltd.Current General Manager of the Company and not in violation of Article 30 under Company Act.	<p>(1) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</p> <p>(2) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</p> <p>(3) Not because of a status of a government agency, a legal person or the representatives thereof elected as</p>	

Qualification Name	Professional Knowledge and <u>Experience</u> (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
		described under Article 27 of the Company Act.	
Rich Pool Investment Co., Ltd. Representative : Hsieh, Hsin-Shu	Has more than five years of needed experience in business, including finance, accounting firm. A certified CPA in Taiwan. A former system designer in China Steel Computing Center and independent director of the Company. Possesses knowledge in business management and industry information with specialty in corporate finances and accounting matters. Currently, the owner of Hsieh Hsin Shu CPA Firm, an independent director and chairman of the salary and compensation committee of China Steel Chemical, and not in violation of Article 30 under Company Act.	<ul style="list-style-type: none"> <li>(1) Not an employee of the Company or any of its affiliates.</li> <li>(2) Not a director or supervisor of the Company or any of its affiliates.</li> <li>(3) Not a natural person shareholder with at least 1% of the Company's total issued shares or among the top-10 largest natural person shareholders based on the shares owned in person, by the spouse or minor children or under the name of others.</li> <li>(4) Not a spouse or a relative within second degree or a direct relative within third degree to any of the managers listed in (1) and personnel listed in (2) or (3).</li> <li>(5) Not a director, supervisor or employee from companies controlled by the identical shareholder that commands a majority of the Company's director seats or voting shares.</li> <li>(6) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</li> <li>(7) Not a specific entity dealing with the Company financially or in business; a director, supervisor, executive from an institution; or shareholder of more than 5% holding.</li> <li>(8) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</li> <li>(9) Not a spouse or a second-degree relative to other directors.</li> </ul>	1

Qualification Name	Professional Knowledge and <u>Experience</u> (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
Golden Top Investment Co., Ltd. Representative : Yang, Yen-Ching	Has more than five years of needed experience in business, including finance, accounting firms. Possesses abilities dealing with accounting, financial analysis and decision making. Current finance manager in Linesoon Industrial Co.,Ltd.and not in violation of Article 30 under Company Act.	<ul style="list-style-type: none"> <li>(1) Not a director or supervisor of the Company or any of its affiliates.</li> <li>(2) Not a natural person shareholder with at least 1% of the Company's total issued shares or among the top-10 largest natural person shareholders based on the shares owned in person, by the spouse or minor children or under the name of others.</li> <li>(3) Not a spouse or a relative within second degree or a direct relative within third degree to any of the managers listed in (1) and personnel listed in (2) or (3).</li> <li>(4) Not a director, supervisor or employee from companies controlled by the identical shareholder that commands a majority of the Company's director seats or voting shares.</li> <li>(5) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</li> <li>(6) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</li> <li>(7) Not a spouse or a second-degree relative to other directors.</li> </ul>	

Qualification Name	Professional Knowledge and <u>Experience</u> (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
Su, Hsin-Cheng	<p>Has more than five years of needed experience in business, including production and HR manager, Linesoon Industrial Co.,Ltd.; General Manager, Tsang Yow Industrial Co., Ltd. Possesses the ability to make operation judgement, operation management, and critical decision, as well as industrial knowledge and capability to lead. Current Chairman of Rich Pool Investment Co., Ltd., and not in violation of Article 30 under Company Act.</p>	<p>(1) Not a director, supervisor or employee from companies controlled by the identical shareholder that commands a majority of the Company's director seats or voting shares.</p> <p>(2) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</p> <p>(3) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</p> <p>(4) Not a spouse or a second-degree relative to other directors.</p> <p>(5) Not because of a status of a government agency, a legal person or the representatives thereof elected as described under Article 27 of the Company Act.</p>	

Qualification Name	Professional Knowledge and <u>Experience</u> (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
Chu, San-Tu	Has more than five years of needed experience and abilities in business, including operation management, industrial knowledge and decision making. Current Chairman of Jin Shiang Forging Co., Ltd. and Sun Forging Industrial Co., Ltd., and not in violation of Article 30 under Company Act.	<p>(1) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that are ranked among the top-five in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27-1 or Article 27-2 of the Company Act.</p> <p>(2) Not a director, supervisor or employee from companies controlled by the identical shareholder that commands a majority of the Company's director seats or voting shares.</p> <p>(3) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</p> <p>(4) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</p> <p>(5) Not because of a status of a government agency, a legal person or the representatives thereof elected as described under Article 27 of the Company Act.</p>	

Qualification Name	Professional Knowledge and <u>Experience</u> (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
Ou, Chin-Shyh	<p>Has more than five years of needed experience and abilities in the Company's business, including commerce, finance, and accounting firm. A former professor of the Department of Accounting and Information Technology, independent director for Chi Hua Fitness Corp. A certified CPA in Taiwan and U.S.A., certified management accountant (CMA), qualified internal auditor and bank auditor. Possesses abilities in enterprise management, financial analysis, accounting firm business, crisis management through the bounty industrial and academic experiences. Co-sits as an independent director in ChipMOS Technology, the chairman of the audit committee, and a member of salary and compensation committee. Not in violation of Article 30 under Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliates.  (2) Not a director or supervisor of the Company or any of its affiliates.  (3) Not a natural person shareholder with at least 1% of the Company's total issued shares or among the top-10 largest natural person shareholders based on the shares owned in person, by the spouse or minor children or under the name of others.  (4) Not a spouse or a relative within second degree or a direct relative within third degree to any of the managers listed in (1) and personnel listed in (2) or (3).  (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that are ranked among the top-five in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27-1 or Article 27-2 of the Company Act.  (6) Not a director, supervisor or employee from companies controlled by the identical shareholder that commands a majority of the Company's director seats or voting shares.  (7) Not a chairperson, general manager, or person holding an equivalent position of the Company; or a director, a supervisor, or an employee in another company or institution of his/her spouse.</p>	1
Chen, Chih-Chang	<p>Has more than five years of needed experience in business, including finance, accounting firm. A former chief representative in the Beijing Office for China Life Insurance Company, department head of Business Administration in Taiwan Shoufu University and adjunct assistant professor in National</p>	<p>(8) Not a specific entity dealing with the Company financially or in business; a director, supervisor, executive from an institution; or shareholder of more than 5% holding.  (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that,</p>	2

Qualification Name	Professional Knowledge and <u>Experience</u> (Note 1)	Independence Status (Note 2)	Number of Public Companies where the Director Con-currently Serves as an Independent Director
	<p>Yunlin University of Science and Technology. Currently, the chairman of Tiso Technology Co., adjunct assistant professor in Nanhua University. Possesses experiences from corporate operation, business management and academic teaching. Co-sits as an independent director in Man Zai Industrial Corp, and Aeonmotor Co., Ltd., and not in violation of Article 30 under Company Act.</p>	<p>provides audit service to the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years thereof.</p> <p>(10) Not a spouse or a second-degree relative to other directors.</p> <p>(11) Not because of a status of a government agency, a legal person or the representatives thereof elected as described under Article 27 of the Company Act.</p>	
Lin, Chiu-Hsien	<p>Has more than five years of needed experience in business for the Company, including finance, accounting firm. A former auditor in National Taxation Bureau of the Southern Area, and confidential secretary, section leader in Finance Administration and Cultural Administration for Jiali District Office, Tainan City. Possesses abilities in financial and financial analysis with rich knowledge and experience in finance and taxation. Not in not in violation of Article 30 under Company Act.</p>		

### (III) Diversification and Independence of Board of Directors:

#### 1. Diversification Policy:

The election of board members is based on the nomination system with gridlines under “Measure for Election of Board of Directors” and “Corporate Governance Best-Practice Principles.” The

composition of the board of directors shall be determined by taking diversity into account. It shall be formulated according to and include, without being limited to, the following two general aspects:

(1) Basic Requirement and Values: gender, age, nationality, and culture.

(2) Professional Knowledge and Skills: a professional background such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members shall have the knowledge, skill, and competency, as follow, necessary to perform their duties:

- |  |  |
|--|--|
| A. Ability to make operation judgements. | B. Ability to perform accounting and financial analysis. |
| C. Ability to operate and manage.        | D. Ability to manage crises.                             |
| E. Industry knowledge.                   | F. Knowledge of international markets.                   |
| G. Ability to lead.                      | H. Ability to make decision.                             |

## 2. Targets and Implementation of Director Diversification:

### (1) Diversification Targets:

- A. No more than two independent directors holding the seats more than three terms in a row.
- B. One or more seats shall be reserved for female members.
- C. No more than one three board members are managers of the Company concurrently.
- D. No more than three board members are a spouse or a second-degree relative to other directors.

### (2) Implementation Status:

There are a total of nine members in the current 14th Board term. Members who are also employees of the Company account for 11%, while the independent members are 33%. There is a female director for 11%. No independent directors hold their seats more than three terms in a row. There are six directors aged 61-70, one in 51-60, and two aged 41-50. Diversification targets have reached more than 75%, which agrees with the policy targets.

Title	Name	Basic Information						
		Nationality	Gender	Current Position at the Company and other Entities at the Moment	Age			Term of Independent Director
					41-50	51-60	61-70	
Chairman	Su, Chi-Tse	R.O.C.	Male		V			
Director	Su, Hsin-Cheng	R.O.C.	Male				V	
Director	Chu, San-Tu	R.O.C.	Male				V	
Director	Yang, Yen-Ching	R.O.C.	Female				V	
Director	Hsieh, Hsin-Shu	R.O.C.	Male				V	
Director	Su, Chi-Hu	R.O.C.	Male	V	V			

Title	Name	Basic Information						
		Nationality	Gender	Current Position at the Company and other Entities at the Moment	Age			Term of Independent Director
					41-50	51-60	61-70	
Independent Director	Ou, Chin-Shyh	R.O.C.	Male				V	Term 2
Independent Director	Chen, Chih-Chang	R.O.C.	Male			V		Term 1
Independent Director	Lin, Chiu-Hsien	R.O.C.	Male				V	Term 1

Title	Name	Diversification Element							
		Operation Judgement	Accounting & Financial Analysis	Business Management	Crisis Handling	Industry Knowledge	Knowledge of International Markets	Leadership	Decision Making
Chairman	Su, Chi-Tse	V	V	V	V	V	V	V	V
Director	Su, Hsin-Cheng	V		V	V	V	V	V	V
Director	Chu, San-Tu	V		V	V	V	V	V	V
Director	Yang, Yen-Ching	V	V	V	V	V	V	V	V
Director	Hsieh, Hsin-Shu	V	V	V	V	V	V	V	V
Director	Su, Chi-Hu	V	V	V	V	V	V	V	V
Independent Director	Ou, Chin-Shyh	V	V	V	V	V	V	V	V
Independent Director	Chen, Chih-Chang	V	V	V	V	V	V	V	V
Independent Director	Lin, Chiu-Hsien	V	V	V	V	V	V	V	V

## (IV) Information on Directors, Supervisors, General Managers, Vice Presidents, Managers and Branch Chief:

April 01, 2023

Title (Note 1)	Nationality	Name	Gender	Effective Date	Current Shareholding		Spouse and Minor Shareholding		Shareholding in Other's Names		Major Experience (Academic) Backgrounds (Note 2)	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Second-Degree Relatives			Remark
					No. of Shares	Shareholding%	No. of Shares	Shareholding%	No. of Shares	Shareholding%			Title	Name	Relationship	
General Manager and Head of General Administration Division	Taiwan	Su, Chi-Hu	Male	May 11, 2021	682,000	0.66%	1,499,491	1.45%	0	0%	Bachelor's degree in Business Administration, University of Denver, U.S.A. and EMBA, National Cheng Kung University Production Management, Plant Supervising, and Sales Associate and HR manager in Linesoon Industrial Co.,Ltd. Vice President and Executive Vice President, General Administration Division of the Company	Chairman, Rich Pool Investment Co., Ltd.	Deputy General Manager	Chu, Chen-Yi	Spouse	
Vice President and Chief Technology Officer of R&D Center and Head of Production Center	Taiwan	Kuo, Wen-Tang	Male	August 02, 2021	208,680	0.20%	45,045	0.04%	0	0%	Bachelor's degree in Mechanic Engineering, National Chin-Yi University of Technology Manager, Development Department and Production Department; Vice president, Production Center; Vice President and Executive Vice President, General Administration Division	None	-	-	-	
Vice President, Sales & Marketing Department	Taiwan	Chu, Chen-Yi	Female	May 26, 2018	1,497,491	1.45%	684,000	0.66%	0	0%	Master's in Information System, Griffith University, Australia Sales Associate, Special Assistant to Chairman of the Company; Special Assistant to General Manager of Linesoon Industrial Co.,Ltd.	None	General Manager	Su, Chi-Hu	Spouse	
Vice President, GM Office	Taiwan	Wang, Hu-Cho (Footnote 1)	Female	January 13, 2023	9,000	0.01%	0	0%	0	0%	Master's in Electrical Engineering, National Kaohsiung University of Science and Technology Construction Mechanical Engineer, Second Nuclear Power Plant, Taiwan Power; R&D Project Manager, Material & Parts Department Manager, Development Department Manager, Tsang Yow Industrial Co.,Ltd.; General Manager, Wuxi Tsang Yow Auto Parts Co., Ltd.,	None	-	-	-	

Title (Note 1)	Nationality	Name	Gender	Effective Date	Current Shareholding		Spouse and Minor Shareholding		Shareholding in Other's Names		Major Experience (Academic) Backgrounds (Note 2)	Current Positions at the Company and Other Companies	Managerial Officers who are Spouses or Second-Degree Relatives			Remark
					No. of Shares	Shareholding%	No. of Shares	Shareholding%	No. of Shares	Shareholding%			Title	Name	Relationship	
Associated Manager, GM Office	Taiwan	Chiang, Shu-Chen( Footnote 2)	Female	January 01, 2023	33,280	0.03%	0	0 %	0	0%	Bachelor's degree in Dynamic Mechanical Engineering, WuFeng University Warehousing, Quality Assurance, Tsang Fu Machine; Quality Assurance, Tsang Yow Machine; Quality Assurance, WAYSIA INDUSTRIAL CO., LTD.; Quality Assurance and Business Manager, Tsang Yow; General Manager, Wuxi Tsang Yow Auto Parts Co., Ltd.	None	-	-	-	
Finance Manager	Taiwan	Huang, Fang-Jang	Female	May 26, 2018	0	0%	0	0%	0	0%	Master's in Accounting and Information Technology, National Chung Cheng University Accounting Associate, Section Leader and Manager, Finance Department; Special Assistant to General Manager, Management Department of Wuxi Tsang Yow Auto Parts Co., Ltd.	None	-	-	-	
Chief Accounting Officer	Taiwan	Chen, Hui-Jung	Female	November 08, 2014	0	0%	0	0%	0	0%	Master's in Accounting and Information Technology, National Chung Cheng University Accounting Section Leader, Tsang Yow Industrial Co., Ltd.	None	-	-	-	
Internal Audit Chief	Taiwan	Tsai, I-Chen	Female	July 01, 2012	0	0%	0	0%	0	0%	Bachelor's in Public Finance, Tatung Institute of Commerce and Technology Accounting Section Leader, Tsang Yow Industrial Co., Ltd.	None	-	-	-	

Note 1: Disclosure shall include general manager, vice presidents, associated manager, departmental and branch heads, and all equivalent positions, regardless of job titles.

Note 2: Relevant experience with the current position. If a former employee from the auditing CPA firm or affiliated entities, details of the job title and duties shall be disclosed.

Note 3: When the Chairman and the General Manager or person of an equivalent post (the highest level manager) are the same person, spouses, or First-degree relatives, an explanation, regarding the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of director seats, or decreasing the percentage of employee directors to less than 50%), shall be provided.

Footnote 1: A promotion was given on January 13, 2023. The General Manager of Wuxi Tsang Yow Auto Parts Co., Ltd. is now also a Vice President in GM Office.

Footnote 2: A former Associated Manager in the Material & Parts Department and was transferred to the GM Office on January 1, 2023.

III. 2022 Remuneration Paid to Directors (including the Independent Directors), Supervisors, General Manager and Vice Presidents

(I) Remuneration to Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Director's Remuneration								(A + B + C + D) as a % of Net Income (Note 10)		Associated Remuneration to Part-time Employees								(A + B + C + D + E+ F+ F) as a % of Net Income (Note 10)		Remuneration from Non-Subsidiary Entities or Parent Companies (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Director's Remuneration (C) (Note 3)		Business Allowance (D) (Note 4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employee Profit Sharing (G) (Note 6)						
		From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow	From All Consolidated Entities (Note 7)	From Tsang Yow		From All Consolidated Entities (Note 7)		From Tsang Yow	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Director	Su, Chi-Tse	4,673	4,673	-	-	1,650	1,650	12	12	3.83%	3.83%	1,153	1,153	-	-	-	-	-	-	4.53%	4.53%	-
	Rich Pool Investment Co., Ltd. Representative : Hsieh, Hsin-Shu	-	-	-	-	550	550	12	12	0.34 %	0.34 %	-	-	-	-	-	-	-	-	0.34 %	0.34 %	-
	Rich Pool Investment Co., Ltd. Representative : Su, Chi-Hu	-	-	-	-	550	550	12	12	0.34 %	0.34 %	5,131	5,131	108	108	641	-	641	-	3.89%	3.89%	-
	Golden Top Investment Co., Ltd. Representative : Yang, Yen-Ching	-	-	-	-	550	550	12	12	0.34 %	0.34 %	-	-	-	-	-	-	-	-	0.34 %	0.34 %	-
	Su, Hsin-Cheng	-	-	-	-	550	550	12	12	0.34 %	0.34 %	-	-	-	-	-	-	-	-	0.34 %	0.34 %	-
	Chu, San-Tu	-	-	-	-	550	550	12	12	0.34 %	0.34 %	-	-	-	-	-	-	-	-	0.34 %	0.34 %	-
Independent Director	Ou, Chin-Shyh	240	240	-	-	604	604	30	30	0.52 %	0.52 %	-	-	-	-	-	-	-	-	0.52 %	0.52 %	-
	Chen, Chih-Chang	240	240	-	-	550	550	30	30	0.50%	0.50%	-	-	-	-	-	-	-	-	0.50%	0.50%	-
	Lin, Chiu-Hsien	240	240	-	-	550	550	30	30	0.50 %	0.50 %	-	-	-	-	-	-	-	-	0.50%	0.50%	-

1. Directors and Independent Directors' remuneration policies, procedures, standards, and structure, as well as the linkage to responsibilities, risk and time spent:  
All payments made is based on "Rules for Distribution of Compensation to Directors":
  - (1) Travel allowance is paid to directors attending the meeting.
  - (2) Fixes compensation paid to directors and independent directors who also participate in business operation is based on the salary rules and procedures of the Company.
  - (3) According to Article 23 under the Company's Articles of Incorporation, remuneration paid to directors is resolved by the Board of Directors according to individual director's involvement and contribution to the business operation with the reference to the industry market rate, not overriding the salary rules and standards of the Company. According to Article 31 under the Company's Articles of Incorporation, a 5% distribution will be made as director's remuneration, when there's a net income from the Company's operation.
2. Other than the disclosures above, other compensations received by the directors for services made for all entities consolidated in the financial reports (such as being a consultant for the parent company, consolidated entities in the financial reports, non-consolidated investee entities): None

**Remuneration Range Table**

Director Remuneration Range	Director			
	From (A+B+C+D)		From (A+B+C+D+E+F+G)	
	From Tsang Yow (Note 8)	From All Consolidated Entities (Note 9)H	From Tsang Yow (Note 8)	From All Consolidated Entities (Note 9)I
Below NT\$1,000,000	Hsieh, Hsin-Shu and Su, Chi-Hu from Rich Pool Investment Co., Ltd., and Yang, Yen-Ching, Su, Hsin-Cheng, Chu, San-Tu, Ou, Chin-Shyh, Chen, Chih-Chang, and Lin, Chiu-Hsien from Golden Top Investment Co., Ltd.	Hsieh, Hsin-Shu and Su, Chi-Hu from Rich Pool Investment Co., Ltd., and Yang, Yen-Ching, Su, Hsin-Cheng, Chu, San-Tu, Ou, Chin-Shyh, Chen, Chih-Chang, and Lin, Chiu-Hsien from Golden Top Investment Co., Ltd.	Hsieh, Hsin-Shu from Rich Pool Investment Co., Ltd., and Yang, Yen-Ching, Su, Hsin-Cheng, Chu, San-Tu, Ou, Chin-Shyh, Chen, Chih-Chang, and Lin, Chiu-Hsien from Golden Top Investment Co., Ltd.	Hsieh, Hsin-Shu from Rich Pool Investment Co., Ltd., and Yang, Yen-Ching, Su, Hsin-Cheng, Chu, San-Tu, Ou, Chin-Shyh, Chen, Chih-Chang, and Lin, Chiu-Hsien from Golden Top Investment Co., Ltd.
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	Su, Chi-Tse	Su, Chi-Tse	Su, Chi-Tse, Rich Pool Investment Co., Ltd. Representative: Su, Chi-Hu	Su, Chi-Tse, Rich Pool Investment Co., Ltd. Representative: Su, Chi-Hu
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	-	-	-	-
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-	-	-
Above NT\$100,000,000	-	-	-	-
<b>Total</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>

Note 1: Director name shall be listed separately (for corporate shareholders, name of the institution and representative shall be disclosed). Director types shall be noted with the disclosure of aggregated payments made. Directors who serve as General Manager or Vice President shall provide information in the table below (3-1) or (3-2-1) and (3-2-2).

Note 2: Include compensation paid, in the current year, to directors including director salary, supplementary and severance pays, reward and incentive payments.

Note 3: Include compensation paid, in the current year, to directors, through approvals from the Board meeting.

Note 4: Include expenses necessary for carrying out business operation, including travel and special allowances, all fringe benefits, dormitories, company cars, and other supplementary goods and services. Such as housing, automobile and other transportation tools or individual expenses. Information including nature of the assets provided, the associated cost, actual or market rents, gasoline and other payments made, shall be disclosed. Compensation to chauffeur by the Company, if available, shall be noted in the footnote but not include in the compensation to the directors.

Note 5: Include compensation paid, in the current year, to directors who are also employees (covering General Manager, Vice President, other managers and employees), including salary, job supplementary and severance pays, reward and incentive payments, travel and special allowances, all fringe benefits, dormitories, company cars, and other supplementary goods and services. Such as housing, automobile and other transportation tools or individual expenses. Information including nature of the assets provided, the associated cost, actual or market rents, gasoline and other payments made, shall be disclosed. Compensation to chauffeur by the Company, if available, shall be noted in the footnote but not include in the compensation to the directors. According to IFRS 2 "Share-based Payment," salary expense recognized shall include employee stock warrant, employee new-share rights, and rights to subscribe new share issuance and cash capital increase.

Note 6: Information regarding employee profit sharing (in both shares and cash) resolved by the Board meetings in the most recent year to employee directors (covering General Manager, Vice President, other managers and employees) shall be disclosed. If not available, an estimate calculated proportional to the actual payment last year shall be adopted with the Attached Table 1-3 filled.

Note 7: Total compensation, by category, paid to directors of the Companies (including consolidated entities in the financial reports) shall be disclosed.

Note 8: Director names shall be disclosed in the relevant range based on total compensation received from the Company.

Note 9: Director names shall be disclosed in the relevant range based on total compensation received from all consolidated entities in the financial reports

Note 10: Net income is the figure from parent-only or individual-only financial statements from the most recent year.

Note 11:

- Compensation received by the directors from non-subsiary entities or the parent company shall be filled in (None, if not available).
- Compensation received by the director from non-subsiary entities or the parent company shall be added to Remuneration Range "I." And the column title shall be changed to "Parent and All Investee Entities."
- The compensation include remuneration (covering business allowances) received as a director, supervisor, manager of any non-subsiary investee entity or the parent company by the director of the Company.

\* The compensation shown in the table is for disclosure purpose, not the taxable basis according to Income Tax Act..

**(II) Remuneration to Supervisors**

After the revision of the Company's Article of Incorporation on June 29, 2012, the supervisor system was replaced with the establishment of Audit Committee.

**(III) Compensation Paid to General Manager and Vice Presidents**

Unit: NT\$ thousands

Title	Name	Salary (A) (Note 2)	Severance Pay and Pensions (B)	Bonuses and Allowances (C) (Note 3)	Employee Profit Sharing (D) (Note 4)	(A + B + C + D) as a % of Net Income (Note 8)	Compen sation from
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		From Tsang Yow	From All Consolidated Entities (Note 5)	From Tsang Yow	From All Consolidated Entities (Note 5)	From Tsang Yow	From All Consolidated Entities (Note 5)	From Tsang Yow		From All Consolidated Entities (Note 5)		From Tsang Yow	From All Consolidated Entities	Non-Subsidiary Entities (Note 9)
								Cash	Stock	Cash	Stock			
General Manager	Su, Chi-Hu	5,100	5,100	378	378	9,125	9,125	1,831	-	1,831	-	9.94 %	9.94 %	None
Deputy General Manager	Chu, Chen-Yi													
Deputy General Manager	Kuo, Wen-Tang													
Vice President	Wang, Hu-Cho (Footnote)													

\*All positions on par with General Manager, Vice President (such as director-general, execution officer, directors) shall make such disclosure.

Footnote 1: A promotion was given on January 13, 2023. The General Manager of Wuxi Tsang Yow Auto Parts Co., Ltd. is now also a Vice President in GM Office.

#### Compensation Range

Top Manager Compensation Range	Manager Name	
	From Tsang Yow (Note 7)	From All Consolidated Entities (Note 8) E
Below NT\$1,000,000		
NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive)	Wang, Hu-Cho(Footnote 1)	Wang, Hu-Cho (Footnote 1)
NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive)	Kuo, Wen-Tang	Kuo, Wen-Tang
NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive)	Su, Chi-Hu and Chu, Chen-Yi	Su, Chi-Hu and Chu, Chen-Yi
NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive)	-	-
Above NT\$100,000,000	-	-
Total	4	4

Note 1: Name of top managers shall be listed separately with the disclosure of aggregated payments made. Directors who serve as General Manager or Vice President shall provide information in this table and table above (1-1) or (1-2-1) and (1-2-2).

Note 2: Include compensation paid, in the current year, to top managers including salary, supplementary, and severance pays.

Note 3: Include compensation paid, in the current year, to top managers, including salary, job supplementary and severance pays, reward and incentive payments, travel and special allowances, all fringe benefits, dormitories, company cars, and other supplementary goods and services. Such as housing, automobile and other transportation tools or individual expenses. Information including natural of the assets provided, the associated cost, actual or market rents, gasoline and other payments made, shall be disclosed. Compensation to chauffeur by the Company, if available, shall be noted in the footnote but not include in the compensation to the directors. According to IFRS 2 "Share-based Payment," salary expense recognized shall include employee stock warrant, employee new-share rights, and rights to subscribe new share issuance and cash capital increase.

Note 4: Information regarding employee profit sharing (in both shares and cash) resolved by the Board meetings in the current year to top managers shall be disclosed. If not available, an estimate calculated proportional to the actual payment last year shall be adopted with the Attached Table 1-3 filled.

Note 5: Total compensation, by category, paid to top managers (including consolidated entities in the financial reports) shall be disclosed.

Note 6: Top manager names shall be disclosed in the associated range based on total compensation received from the Company.

Note 7: Top manager names shall be disclosed in the associated range based on total compensation received from all consolidated entities in the financial reports

Note 8: Net income is the figure from unconsolidated or individual-only financial statements.

Note 9:

- Compensation received by top managers from non-subsidiary entities or the parent company shall be filled in (None, if not available).
- Compensation received by top managers from non-subsidiary entities or the parent company shall be added to Compensation Range "E." And the column name shall be changed to "Parent and All Investee Entities."
- The compensation include remuneration (covering business allowances) received as a director, supervisor, manager of any non-subsidiary investee entity or the parent company by the General Manager or Vice President of the Company.

\* The compensation shown in the table is for disclosure purpose, not the taxable basis according to Income Tax Act..

Footnote 1: A promotion was given on January 13, 2023. The General Manager of Wuxi Tsang Yow Auto Parts Co., Ltd. is now also a Vice President in GM Office.

**(IV) Employee Profit Sharing:**

March 15, 2023 Unit: NT\$ thousand

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	As a percentage of Net Income(%)
Top Manager	General Manager	Su, Chi-Hu	0	1,969	1,969	1.19%
	Deputy General Manager	Chu, Chen-Yi				
	Deputy General Manager	Kuo, Wen-Tang				
	Vice President	Wang, Hu-Cho(Note A)				
	Associated Manager	Chiang, Shu-Chen(Note B)				
	Chief Financial Officer	Huang, Fang-Jang				
	Chief Accounting Officer	Chen, Hui-Jung				

Note: Distribution of 2023/03/15 employee profit sharing is approved by the Board of Directors based on “Employee Profit Sharing Rules and Standards” Actual distribution will be made after the resolution from the general shareholders’ meeting.

(Note A) A promotion was given on January 13, 2023. The General Manager of Wuxi Tsang Yow Auto Parts Co., Ltd. now is also a Vice President in GM Office.

(Note B) A former Associated Manager in the Purchasing Department and was transferred to the GM Office starting from January 01, 2023.

Note 1: Individual manager’s name and title shall be disclosed. Profit sharing can be disclosed in an aggregated number.

Note 2: Information regarding employee profit sharing (in both shares and cash) resolved by the Board meetings in the current year to top managers shall be disclosed. If not available, an estimate calculated proportional to the actual payment last year shall be adopted. Net income is the figure from the current year, which has adopted International Financial Reporting Standards. Net income is the figure from the unconsolidated or individual-only financial statements.

Note 3: Top managers, based on official letter Tai-Cai-Zheng-San-Zi No.0920001301 from Security and Future Bureau on March 27, 2013, include the follows:

- (1) General manager or equivalent positions;
- (2) Vice president or equivalent positions
- (3) Associated manager or equivalent positions;
- (4) Head of finance department
- (5) Head of accounting department;
- (6) Anyone who manages business or sign business contract for the company

Note 4: Directors, general manager and vice president who receives profit sharing (in both shares and cash) shall fill in this table, in addition to attached Table 1-2.

**(V) Comparison and analysis of profit sharing paid, in two recent years, to directors, supervisors, and top managers as a percentage of net income from the unconsolidated or individual-only financial statements with explanation in distribution policy, standards, and structure; the procedures to make such policy; and the correlation with the operation result, as well as future risks:**

1. Profit sharing paid, in two recent years, to directors, supervisors, and top managers as a percentage of net income from the unconsolidated or individual-only financial statements.

Item Title	As a percentage of 2022 Net Income(%)		As a percentage of 2021 Net Income(%)	
	From Tsang Yow	From Consolidated Statement	From Tsang Yow	From Consolidated Statement
Director	7.05%	7.05%	18.18%	18.18%
Supervisor	-	-	-	-
General Manager and Deputy General Manager	9.94%	9.94%	34.66%	34.66%

2. Profit sharing policy, standards, and structure; the procedures to make such policy; and the correlation with the operation result, as well as future risks:

(1) Director compensation policy, standards, and structure; the procedures to make such policy; and the correlation with the operation result, as well as future risks are based on Article 23 in the Company's Article of Incorporation. (Remuneration paid to directors is resolved by the Board of Directors according to individual director's involvement and contribution to the business operation with the reference to the industry market rate, not overriding the salary rules and standards of the Company. And directors are entitled to travel allowance based on actual attendance to the meeting.) and "Rules for Distribution of Compensation to Directors" passed by the Remuneration Committee and the Board of Directors.

(2) Compensation to the top managers shall be viewed from the perspectives of long-term operation and shareholders' interests under the premise that no incentives will be rewarded for taking excessive risks thereby. Taking the operation performance as the basis, profit sharing for managers is decided based on the result of the performance evaluation: For top-level positions, key benchmarks include reaching earning target and maintaining financial sustainability. Yearly earning target is resolved by the Board according to annual budget and commissioned to individual manager for execution. All allocations are according to "Rules and Standards for Top Manager Performance Evaluation and Reward," passed by the Remuneration Committee and the Board of Directors.

Overall, the profit sharing policy, standards, and structure; the procedures to make such policy for the directors and top managers by the Company present a positive correlation to the operation result and are disclosed in the annual reports according to the laws. Associated risks shall be limited.

#### IV. Corporate Governance:

##### (I) Board of Director Operation:

###### Board of Director Operation and Status

The Board of Directors held four meetings (A) in the most recent year(2022) with the attendance information as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate in Person % [B/A] (Note 2)	Remark
Chairman	Su, Chi-Tse	4	0	100%	
Director	Su, Hsin-Cheng	4	0	100%	
Director	Chu, San-Tu	4	0	100%	

Director	Golden Top Investment Co., Ltd. Representative: Yang, Yen-Ching	4	0	100%	
Director	Rich Pool Investment Co., Ltd. Representative: Hsieh, Hsin-Shu	4	0	100%	
Director	Rich Pool Investment Co., Ltd. Representative: Su, Chi-Hu	4	0	100%	
Independent Director	Ou, Chin-Shyh	4	0	100%	
Independent Director	Chen, Chih-Chang	4	0	100%	
Independent Director	Lin, Chiu-Hsien	4	0	100%	

Annotation:

I. For matters fit under the conditions below, the meeting details, including date, session number, proposed content, and opinions from all the independent directors with the Company's handling therefor, shall be stated:

(I) Matters listed under Article 14-3:

Session	Date	Discussion Item
11101	March 15, 2022	2021 profit sharing to directors by the Remuneration Committee.
		Approved "Regulations Governing the Acquisition and Disposal of Assets."
		Discussed the review from the Remuneration Committee about 2021 profit sharing to Chairman Su, Chi-Tse and General Manager Su, Chi-Hu.
		Approved the hiring of the external auditor and decided on the compensation.
11103	August 9, 2022	Extension of a loan endorsement to Wuxi Tsang Yow Auto Parts Co., Ltd. by the Company for.
11104	November 8, 2022	Discussed the Company's lending target group and loan limits.

Opinions from the independent directors and the handling therefor: All proposals above were passed without demur after the inquiries by the meeting chairperson to all attending independent directors.

(II) Except the items above, other Board resolutions which the independent directors opposed to or received reserved opinions over and were recorded or had a written statement in place: None.

II. Matters regarding directors' recusal from proposals with conflict of interest: the names of the directors concerned, proposal details, reasons for recusal, participation in discussion and voting results shall be provided:

1. Proposal from the Remuneration Committee about 2021 profit sharing to Chairman Su, Chi-Tse and General Manager Su, Chi-Hu.

The voting: Directors including Su, Chi-Tse, Su, Chi-Hu, respectively Chairman and General Manager of the Company, and Hsieh, Hsin-Shu, the representative of Rich Pool Investment Co., Ltd. (a controlled subsidiary) recused from the discussion to avoid conflict of interest. The proposal was passed without demur after the inquiries by the

deputy chairperson, Director Ou, Chin-Shyh, to all attending independent directors and other regular directors.

2. Discussed the review from the Remuneration Committee about 2021 profit sharing to other managers of the Company.

Voting situation: Directors Chu, San-Tu and Su, Chi-Hu recused from the discussion to avoid conflict of interest situation for holding top-managing positions in the Company and being a second-degree relative to other. The proposal was passed without demur after the inquiries by the meeting chairperson to all attending independent directors and other regular directors.

3. Discussed the compensation package for the Vice President, Sales and Marketing.

Voting situation: Directors Chu, San-Tu and Su, Chi-Hu recused from the discussion to avoid conflict of interest situation for holding top-managing positions in the Company and being a second-degree relative to other. The proposal was passed without demur after the inquiries by the meeting chairperson to all attending independent directors and other regular directors.

### III. Board Evaluation Status:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Once a year (by the end of every first quarter in the following year)	Board operation from January 1, 2022 to December 31, 2022.	Performance evaluation for the entire board, individual directors and each functional committee.	Board: self-assessment Director: self-assessment.	(1) Board performance evaluation: Not limited to the scopes of involvement in business operation, quality of decisions made, the board composition and structure, election and continuing knowledge development, and the internal control system. (2) Performance evaluation for individual directors: Not limited to the scopes of knowledge to the Company and director responsibilities, involvement in business operation, professional contribution and continuing knowledge development, and the internal control system. (3) Functional committee performance

					evaluation: Involvement in business operation, understanding about functional committees, enhancement of decision making quality, committee composition and member election, and the internal control system.
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The 2022 Board performance evaluation has completed through self-assessments. The evaluation, with a result of “good” ranking, has been reported to the Board of Directors at its first meeting in 2023 and will be later used as a reference for director compensation and election to enhance the corporate governance.

IV. Execution evaluation of enhancement targets for the Board’s functionalities (including the establishment of the audit committee and transparency enhancement) in the most two recent years:

A “Regulations Governing Procedure for Board of Directors Meetings” has established by the Company according to “Regulations Governing Procedure for Board of Directors Meetings of Public Companies.” All directors have completed needed learning hours according to “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies.” Information regarding directors’ meeting attendance, advance learning has been published on the Market Observation Post System (or MOPS). Significant resolutions from the Board are listed on the Company’s website and handled by dedicated personnel that updates the Company’s financial information in a timely matter. The Company has established Audit Committee and Remuneration Committee in 2011 to assist the Board to manage associated matters. In addition, regulations including “Standard Procedures for Handling Requests form Board of Directors,” “Rules for Performance Evaluation of Board of Directors” and “Corporate Governance Best-Practice Principles” have been established. An officer position for Corporate Governance was created on March 16, 2020 and the Chief Financial Officer was appointed to assist in and strengthen Board operation and corporate governance.

Note 1: Name of the corporate shareholder and the representative shall be disclosed when a director or supervisor is a legal person.

Note 2: (1) For directors or supervisors resigning before the end of the current year, extra notes shall be made regarding the date of acquitting, in-person meeting attendance ratio (%), calculated by the number of meeting convened over his/her tenure with the actual attendance number.

(2) All new and old directors and supervisors shall be listed with notes indicating whether he/she is newly elected, as well as the re-election dates, when there is a re-election of directors or supervisors before the end of the current year. Attendance Rate in Person (%) = the number of actual attendance / the number of the board meetings convened during the tenure

**(II) Audit Committee Operation:**

Audit Committee Operation and Status

The committee held four meetings (A) in the most recent year (2022) with the attendance information as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remark
Independent Director	Ou, Chin-Shyh	4	0	100%	

Independent Director	Chen, Chih-Chang	4	0	100%	
Independent Director	Lin, Chiu-Hsien	4	0	100%	

Annotation:

I. For matters coming under the conditions below, the meeting details from the Audit Committee, including the date, the session number, the proposed content, and the oppositions, reserved opinions or major suggestions from the independent directors, as well as resolutions made by the Audit Committee with the Company's handling therefor, shall be stated.

(I) Matters listed under Article 14-5:

Session	Meeting Date	Discussion Item	Communication Result
Term 4, Session 3, 2022	March 15, 2022	1. Review of 2021 business report and financial statements. 2. Discussion on 2021 Statement of Internal Control. 3. Review of 2021 profit sharing. 4. Discussion on the hiring of the external auditor and the service fee. 5. Discussion on the regular review of independence the external auditor. 6. Discussion on "Regulations Governing the Acquisition and Disposal of Assets."	None
Term 4, Session 4, 2022	May 10, 2022	1. Review of 2022 first quarter consolidated financial statement.	None
Term 4, Session 5, 2022	August 9, 2022	1. Review of 2022 second quarter consolidated financial statement. 2. Extension of a loan endorsement of USD 3 million to Wuxi Tsang Yow Auto Parts Co., Ltd. by the Company for.	None
Term 4, Session 6, 2022	November 8, 2022	1. Review of 2022 third quarter consolidated financial statement. 2. Discussion on the Company's lending target group and loan limits.	None

Resolutions from the committee and the handling of the opinions: passed without demur after inquires made by the meeting chairperson to all the attending committee members.

- (II) Except the items above, other resolutions which were not approved by the committee but passed through two thirds of the board of directors: None.

Highlights of the Audit Committee operation:

- Annual and first six months' financial reports;
- Stipulation and improvement of the internal control system;
- Testing of effectiveness of the internal control system;
- Stipulation and improvement of the procedures of handling significant financial transactions, including asset acquisition and disposition, trading of derivative instruments, and lending or endorsement to others;
- Transactions on major assets or derivative instruments;
- Major lending or endorsement or guarantee to others;
- Offering, issuance, or private placement of any equity-type securities;
- Hiring, dismissing or compensating the independent auditor
- Appointing or dismissing officers in finance, accounting or internal audit

- II. Matters regarding directors' recusal from proposals with conflict of interest: the names of the directors concerned, proposal details, reasons for recusal, participation in discussion and voting results shall be provided: None.

- III. Communications between the independent directors and the chief internal audit officer and the external auditor (shall include important matters, communication approaches and results).

1. Independent directors would inquire or notify through phone communication to the internal auditors when there were questions about copies of audit report every month.
2. Improvements on flaws and abnormalities of internal control would be compiled into reports every quarter and sent for independent directors' review.
3. Chief internal audit officer would attend the regular board meeting according to the regulations and present the associate briefings.
4. Chief internal audit officer would conduct no less than one private meeting every year with the independent directors to ensure full discussion on the operation and status of internal audit.
5. The commissioned external auditor would join the meeting of the Audit Committee to present review or audit results of the Company's each quarterly financial statement, as well as matters newly required by the laws. The Audit Committee and the external auditor have been communicating well and smoothly.
6. Overall, the independent directors have been able to understand the operation of the Company through the Board meetings, the Audit Committee, and regular reporting from the internal audit unit. In addition, access (including phone calls, faxes, and emails) to the external auditor has been open to the independent director for direct communication.
7. Communication between the independent directors and the chief internal audit officer and the external auditor:

Meeting Date	Major Communication Item	Communication Result
May 10, 2021	1. Briefing of 2022 first quarter consolidated financial statements from the external auditor to the Audit Committee.	None
	2. Q&A between the external auditor to the Audit Committee and other meeting attendees.	
August 9, 2021	1. Briefing of 2022 second quarter consolidated financial statements from the external auditor to the Audit Committee.	None

	2. Q&A between the external auditor to the Audit Committee and other meeting attendees.	
November 8, 2021	1. Briefing of 2021 third quarter consolidated financial statements from the external auditor to the Audit Committee.	None
	2. Q&A between the external auditor to the Audit Committee and other meeting attendees.	
March 15, 2022	1. Briefing of 2021 annual internal audit work from the internal audit officer to the Audit Committee.	None
	2. Briefing of 2021 annual consolidated and unconsolidated financial statements from the external auditor to the Audit Committee.	
	3. Q&A between the external auditor to the Audit Committee and other meeting attendees.	
May 10, 2022	1. Briefing of 2022 first quarter consolidated financial statements from the external auditor to the Audit Committee.	None
	2. Q&A between the external auditor to the Audit Committee and other meeting attendees.	
August 9, 2022	1. Briefing of 2022 second quarter consolidated financial statements from the external auditor to the Audit Committee.	None
	2. Q&A between the external auditor to the Audit Committee and other meeting attendees.	
November 8, 2022	1. Briefing of 2022 third quarter consolidated financial statements from the external auditor to the Audit Committee.	None
	2. Q&A between the external auditor to the Audit Committee and other meeting attendees.	

Note 1: For independent directors resigning before the end of the current year, extra notes shall be made regarding the date of resignation, in-person meeting attendance ratio (%), calculated by the number of meeting convened by the Audit Committee over his/her tenure with the actual attendance number.

Note 2: All new and old independent directors shall be listed with notes indicating whether he/she is newly elected, as well as the associated re-election dates, when there is a re-election of independent directors before the end of the current year. Attendance Rate in Person % = the number of actual attendance / the number of the meetings convened by the Audit Committee during the tenure

### (III) Corporate Governance and the Variance from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies:

Assessment Item	Implementation Status (Note)		Explanation	Difference from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"
	Yes	No		
I. Does the Company follow "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" to establish	V		The Company has stipulated "Tsang Yow Corporate Governance Practice Principle" with the associated disclosure on the Company's website and designated sites by the	No significant difference

Assessment Item	Implementation Status (Note)		Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	
and disclose its corporate governance practice principles?			governing agencies.
<b>II. Shareholding Structure and Shareholders’ Rights</b>			
(I) Does the Company have internal operation procedures for handling shareholders’ suggestions, doubts, disputes and litigation matters. Have the procedures been implemented accordingly?	V		(I) The Company has designated its spokesperson and deputy spokesperson, with the assistance from outside legal consultants to handle shareholders’ suggestions, doubts, disputes and litigation matters.
(II) Does the Company have a list of its major shareholders and ultimate beneficial owners of these major shareholders?	V		(II) The Company has commissioned its stock affair agency, KGI Securities, to track the top shareholders, including the major holders with actual control of the Company and their ultimate beneficial owners. The Company releases regular information regarding changes in shareholding pledge and significant events which might affect shareholding structure to assist shareholder supervision.
(III) Has the Company built and executed a risk management and firewall system between the Company and its affiliated companies?	V		(III) The Company has stipulated the procedures for transactions with related parties, specific companies and group enterprises, as well as the monitoring mechanism to the subsidiaries. Information regarding is also published on a regular basis.
(IV) Has the Company established the internal rules prohibiting trading	V		(IV) The Company has established its “Insider Trading Policy” to prevent such events from

Assessment Item	Implementation Status (Note)		Explanation	Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
on undisclosed information?			happening.	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the Board of Director established a diversity policy, set goals and implemented them accordingly?</p> <p>(II) Other than the Compensation and the Audit Committee, does the Company have plans to set up other functional committees?</p> <p>(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and</p>	V	V	<p>(I) Election of board members is based on nomination system which is implemented with goals and gridlines regarding the diversification policies under “Measure for Election of Board of Directors” and “Corporate Governance Best-Practice Principles.” For details, please refer to the Company’s website and the annual report. For successor plan, please go to Section 10 on page 13 to page 17.</p> <p>(II) Other than the Compensation and Audit Committee, the Company has set up the Occupational Safety and Health Committee and Labor Relation Meetings.</p> <p>(III) The Company has completed the establishment of “Rules for Performance Evaluation of Board of Directors” on November 11, 2019, which has been carried out the evaluation accordingly.</p> <p>(1) Evaluation cycle and period: The internal or external performance evaluation shall be completed by the end of the first year in the following year.</p> <p>(2) Evaluation targets and coverage: The evaluation shall cover the entire board, individual director and each functional committee.</p>	No significant difference

Assessment Item	Implementation Status (Note)		Explanation	Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No		
additional office terms?			<p>(3) The evaluation items for the board cover, without limitation to, the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in business operation.</li> <li>2. Enhancement of the quality of the board’s decision making.</li> <li>3. Composition and structure of the board.</li> <li>4. Election of board members and continuing knowledge development.</li> <li>5. Internal controls.</li> </ol> <p>(4) The evaluation items for individual directors cover, without limitation to, the following four aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of the Company operation and awareness of directors’ duties.</li> <li>2. Involvement in business operation.</li> <li>3. Directors’ professionalism and continuing knowledge development.</li> <li>4. Internal controls system.</li> </ol> <p>(5) The evaluation items for the functional committees cover, without limitation to, the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Involvement in business operation.</li> <li>2. Awareness of the committee duties</li> <li>3. Enhancement of the quality of the committee’s decision making</li> <li>4. Composition and structure of the committee</li> <li>5. Internal controls.</li> </ol> <p>2022 Performance Evaluation Results reported in the Board meeting on March 15, 2023.</p>	

Assessment Item	Implementation Status (Note)			Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Explanation	
(IV) Does the Company regularly evaluate its external auditors’ independence?	V		(IV) The Company assesses regularly (once a year) the independency of the external auditor based on the assessment check list (relate to Note 1) and the declaration statement from the auditor to ensure the auditor is not a director, shareholder or stakeholder, and not paid by the Company, as well is qualified under the independent criteria set by the Company. The auditor shall pass all the assessments on March 15, 2023, and the result shall be reviewed by the Audit Committee on March 15, 2023 and approved by the Board for the commission.	
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer to corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		The Board appointed Chief Financial Officer, Huang, Fang-Jang, as Corporate Governance Officer, after the position was created on March 16, 2020 to ensure shareholders’ right and strengthen Board operation. Ms. Huang, Fang-Jang possesses managerial experience in finance, meetings, and stock affairs for more than three years. Corporate governance related affairs shall cover: <ol style="list-style-type: none"> <li>1. Carry out matters related to Board meetings and shareholders’ meetings in accordance with the laws and regulations.</li> <li>2. Record minutes of board meetings and shareholders’ meetings.</li> <li>3. Assist in onboarding and continuing education of the directors.</li> <li>4. Provide information required by the directors for business</li> </ol>	No significant difference

Assessment Item	Implementation Status (Note)		Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	
			<p>execution.</p> <ol style="list-style-type: none"> <li>5. Assist in directors’ compliance with laws.</li> <li>6. Matters regarding to law compliance of the independent directors’ qualification at nomination, election and onboarding shall be reported to the Board.</li> <li>7. Carries out change of directors.</li> <li>8. Other matters stipulated in the Company’s Article of Incorporation or agreements.</li> </ol> <p>2022 Implementation status:</p> <ol style="list-style-type: none"> <li>1. Assisted independent and general directors in performance of duties, receiving information for reviewing financial statements, and making arrangement for knowledge development.</li> <li>2. Assisted in law compliance for resolution procedures conducted in Board meetings and shareholders’ meetings.</li> <li>3. Renewal of liability insurance for directors, supervisors and important employees for 2022, followed by reporting to the Board meeting.</li> <li>4. Planning of Board of Directors’ working calendar.</li> <li>5. Scheduled Board meetings and issued notices to the directors seven days before the meeting. Convened meeting with needed information and reminders of recusals when conflict of interests. Completed meeting minutes in 20 days after the meeting.</li> <li>6. A general shareholders’ meeting was convened in June 2022. All meeting registration, making of meeting notice, shareholders’ meeting handbook and meeting</li> </ol>

Assessment Item	Implementation Status (Note)			Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Explanation	
			minutes were conducted according to the regulation requirements.  Total continuing learning hours taken by the Corporate Governance Officer was 12 hours. The associated record was filed to Market Observation Post System. Please refer to page 35 (see Note 2) the annual report for the complete listing of the courses taken.	
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a stakeholder page on the official website, and properly responded to major corporate social repositionability issues of concern to stakeholders?	V		(I) The Company has designated its spokesperson and deputy spokesperson to handle outward communication channels. All stakeholders can access financial and stock information on Market Observation Post System and the Company’s website. An investor relation office is established to assist investor communication. (II) The Company has set up an electronic supply chain management system to closely watch all dealings on a timely basis. A supplier-dedicated channel is available to ensure direct and open communication. (III) A “Stakeholder Section” is available on the Company’s website to assist stakeholder communication. (IV) All issues concerned by all types of stakeholders during 2022 have made available on the Company website.	No significant difference
VI. Has the Company appointed a professional agency to handle the affairs of the shareholders’ meeting?	V		The Company has commissioned its stock affair agency, KGI Securities, to handle the matters.	No significant difference
VII. Information Disclosure (I) Has the Company set up a website to disclose financial and corporate governance	V		(I) All public information on financial status, corporate governance and investor conference is made available to	No significant difference

Assessment Item	Implementation Status (Note)			Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Explanation	
information?  (II) Does the Company adopt other ways of information disclosure (such as setting up an English website, appointing a dedicated person for the collection and disclosure of the Company’s information, implementing the spokesperson system and placing on the Company’s website the process of institutional investors’ conference)?  (III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year and announce and declare the first, second, and third quarter financial reports and the monthly operation ahead of the required time limits?	V		the Company’s website, <a href="http://www.tsangyow.com.tw">http://www.tsangyow.com.tw</a> , and “Market Observation Post System.”  (II) To improve information transparency, a sound spokesperson system has been established, together with the applying public information system, to help shareholders and stakeholders fully understand the financial status and corporate governance operation of the Company.  (III) All filing of quarterly financial statements and monthly operation are filed according to the deadlines stipulated in “Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds.” The annual financial report has not yet published and declared within two months after the end of the fiscal year.	
VIII. Does the Company have other important information to help understand the operation of corporate governance (including but not limited to employee rights and interest, employee care, investor relations,	V		(I) Employee Rights and Interests: Through closely following the relevant provisions of the Labor Standard Act, the Company implements assorted rights and interests, and retirement pension. A employee welfare committee is formed to offer various welfare measures. All employees	No significant difference

Assessment Item	Implementation Status (Note)		Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	
supplier relations, rights of interest parties, the status of directors’ and supervisors’ continuing education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the Company’s purchase of liability insurance policy for directors and supervisors)?			<p>are covered by the group insurance policy to ensure employee protection.</p> <p>(II) Employee Care:</p> <ol style="list-style-type: none"> <li>1. The Company provides employees employee travel subsidies, employee compensation, holiday and year-end bonus, as well as safeguarding the legitimate rights and interests of employees according to the Labor Standard Act. Other than holding labor relation meetings and employee symposiums and providing employee complaining channels to ensure communication, various measures have been stipulated to state clearly employee rights, obligations and welfare items to maintain employee rights.</li> <li>2. A employee app is created to consolidate information on all aid and welfare programs available, including newsletters from the Company and the employee welfare committee, social welfare resources, psychological counseling, retirement/wealth management/insurance information, health and healthcare information, occupation safety, and designated shops to create diversified choices of welfares and to strengthen internal information.</li> </ol> <p>(III) Investor Relations: Through information posted on Market Observation Post System and the Company websites,</p>

Assessment Item	Implementation Status (Note)		Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	
			<p>information is made available for investors’ business operation. Investor communication channels include shareholders’ meeting and spokesperson mechanism.</p> <p>(IV)Supplier Relationship:  1. The Company has stipulated “Procedures for Supplier Management” to ensure delivery, quality and pricings from suppliers according to the business requirements. In addition, supplier audits are performed regularly by the Company to confirm supplying quality. In terms of occupation safety and health, all the construction contractors are covered under the internal management system. Other than giving on-site supervision and construction permissions, assistance is given to contracted vendors for implementing voluntary management and training regarding safety and health issues to meet heal requirements and social responsibilities. 2. A requirement to comply with the policy for corporate social responsibilities is included when signing supply contracts. If the policy is violated, unconditional hardware and manual services shall be given until the improvements meet the national environmental regulations.</p> <p>(V) Rights of Stakeholders:  The Company has established various communication channels of soundness and openness to</p>

Assessment Item	Implementation Status (Note)			Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Explanation	
			<p>uphold rights of stakeholders. In addition, all matters will be handled based on principles of integrity and accountabilities to fulfill social responsibilities.</p> <p>(VI) Continuing Education of Directors: All directors have continued improving professional knowledge in 2022 and complied with “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies needed training.”</p> <p>(VII) Risk Management Policy and Measurement Standards: Manners regarding major operation policies, investment undertaking, endorsement, guarantee, and loan making and bank financing shall receive the Board’s approvals, followed by audit, supervision and management from the relevant audit and risk management units. Please refer to “Risk Events Analysis and Evaluation” for details (page 93).</p> <p>(VIII) Implementation of Customer Policies: 1. The Company has set up dedicated units to provide customers question answering and to maintain direct and open communication. 2. To provide nearby services and shorten delivery times, there are storage warehouses in America and Europe. 3. Customer satisfaction survey is conducted every year.</p> <p>(IX) Director Liability Insurance Purchase:</p>	

Assessment Item	Implementation Status (Note)			Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Explanation	
			<p>The Company has purchased liability insurance for directors, supervisors and key executives in the amount of US\$3 million on April 1, 2023. The insurance covers the period from April 1, 2023 to April 1, 2024 and was reported to the Board of Directors on March 15, 2023.</p> <p>(X) The independent directors gives reporting and suggestions about the Company’s financials, business status and major operation plan based on their understanding, experience and professional knowledges for strengthening the operation and implementing supervision.</p>	

IX. Please explain the improvement of the corporate governance evaluation results according to the finding issued by the Corporate Governance Center of the Taiwan Stock Exchange for the most recent year and put forward the priorities and measures for those that have not been improved. (Not applicable as the Company is not listed for evaluation): Matters improved following the 9th Term of Corporate Governance Evaluation (evaluation year 2022) are as below:

Item	Evaluation Indicator	Improvement Status and Explanation
2.7	Whether the seat number of independent board members has reached one-third or more?	Disclosed in the Annual Report
2.8	Whether half of the independent board members or more have not held the seats over three consecutive terms or longer?	Disclosed in the Annual Report
2.11	Whether all the quarterly financial reports were approved by the Audit Committee and sent to the Board meetings for resolution?	Disclosed in the Annual Report
2.18	Whether the Company conducts regular internal performance evaluations on the functional committees (at least on the Audit Committee and the Remuneration Committee) and disclose the results of such assessment to the Company website or annual reports?	Disclosed in the Annual Report
3.13	Whether the Company voluntarily disclose remuneration to individual directors and supervisors?	Disclosed in the Annual Report

The Company, every year, exams each evaluation indicator that received fair marks from the corporate governance evaluation results and the latest published corporate governance

Assessment Item	Implementation Status (Note)			Difference from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”
	Yes	No	Explanation	
evaluation indicators. For indicators failing for the qualification, improvements will be made.				
<p><b>X. Succession planning and execution for the Board and Top Managers</b></p> <p>The succession plan will be formulated all-rounded based on “talent cultivation and allocation, workforce development, and win-win creation,” as well as linkage to the Company’s strategy, management.</p> <p><b>Board member election and operation</b> Members are elected based on the integrity quality, managing knowledge and professional abilities including backgrounds from operation management, finance and accounting, and law; special skills; and industrial experience. Each board director shall receive six hours of training to ensure new knowledge acquisition.</p> <p>Other than election qualifications, top managers are given opportunities to learn about the operation of the Board and each business unit and department by job rotation to deepen industrial professionalism.</p> <p><b>Top management selection</b> The succession team is required to be equipped with extraordinary execution ability and the value of honesty and integrity great importance. In addition, through continuous rotation in different department, expatriation, our succeeding candidates will be with leader mentality and abilities to learn and achieve outstandingly.</p>				

Note: Operation status, whether “Yes” or “No” is checked, shall be described in the summary description fields.

Note 1. Evaluation criteria for the independence of external auditor

Evaluation Item	Result
<b>I. Financial Interest Category</b>	
1. Does the auditor have a “direct financial interest relationship” with the Company?	No
2. Does the auditor have a “significant indirect financial interest relationship” with the Company?	No
3. Does the auditor have a “significant financial interest relationship” with any other entities where the Company has a controlling power?	No
<b>II. Employment Relationship Category</b>	
1. Has the external auditor held any positions in the Company as a director, supervisor, or manager, or capable of impacting the independent audit work at present or in the past two years.	No
2. Does the external auditor hold any positions in the Company as a director, supervisor, or manager, or capable of impacting the independent audit work?	No
3. Was the external auditor, during the audit period, holding any positions in the Company as a director, supervisor, or manager, or capable of impacting the independent audit work?	No
4. Is the external auditor, in a certain future period, going to hold any positions in the Company as a director, supervisor, or manager, or capable of affecting the independent audit work?	No
5. Does the external auditor hold any positions as a director or supervisor in any other entities where the Company has a controlling power?	No
6. Does the auditor provide services equivalent to duties of director, supervisor, or top manager?	No
7. Is the auditor hired by the Company for regular work that received fixed compensation?	No
<b>III. Short-Term Dispatch Worker Service:</b>	

1. Does the auditor dispatch employees from his/her firm to assist the Company in decision making, contract approval or signing, financial paper management.	No
<b>IV. Managing Personnel Recruitment:</b>	
1. Does the auditor help the Company recruit management positions that can directly and significantly affect the audit work of the Company?	No
<b>V. Service Continuation:</b>	
1. Whether the auditor has been continuously commissioned as the Company's independent auditor for seven years?	No
<b>Conclusion of Independence Evaluation:</b> Through the Company's internal review, it is concluded that there is no event that might affect the independence of the auditor.	

Note 2. Continuing Education of Corporate Governance Officer in 2022:

Class Date	Host By	Class Title	Class Duration	Total Class Hour
March 10, 2022	Taiwan Exchange	Supervision from Independent Directors and Board Members from International Perspective	1hr	12hr
May 20, 2022	Securities and Futures Institute, R.O.C.	2022 Insider Trading Prevention Conference	3hr	
July 7, 2022	Taiwan Exchange	Map of Sustainability Development Path for Industries	2hr	
October 12, 2022	Securities and Futures Institute, R.O.C.	2022 Law Compliance for Shares Transfer by Insiders	3hr	
November 11, 2022	Securities and Futures Institute, R.O.C.	Derivative Trading and Market Outlook for Listed Companies	3hr	

(4) Composition and Operation of the Remuneration Committee, if Established by the Company:

(1) Information of the Remuneration Committee Members

Identity (Note 1) Name	Qualification	Professional qualification and experience (Note 2)	Independence status (Note 3)	Number of public companies where the member con-currently serves as a member of remuneration committee
Independent Director	Ou, Chin-Shyh	Please refer to page 15-16 of the annual book for disclosure on professional knowledge of directors and independence of independent directors		1
Independent Director	Chen, Chih-Chang			2
Independent Director	Lin, Chiu-Hsien			0

(2) Remuneration Committee Operation and Status

I. There are a total of 13 members in the Remuneration Committee.

II. Current Tenure: July 15, 2021 to July 14, 2024. The committee held 2 meetings (A) meetings in the most recent year (2022) with the attendance information as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)(Note)	Remark
Convener	Ou, Chin-Shyh	2	0	100%	
Member	Chen, Chih-Chang	2	0	100%	
Member	Lin, Chiu-Hsien	2	0	100%	

Annotation:

(I) Duties of the Remuneration Committee:

1. The committee member shall execute the duties based on the following principles:
  - (1) Performance evaluation of directors, supervisors and top managers and their compensations shall refer to industrial practice with the linkage among individual performance, the operation result, as well as future risks.
  - (2) No incentives shall be rewarded to directors or managers for taking excessing risks.
  - (3) The nature of industry and business of the Company shall be taken into consideration when deciding the portion of bonus for short-term bonus and the timing for paying variable compensation for directors and top managers.
2. The committee shall convene no less than two meetings every year, or ad hoc meetings when necessary, to assist in the Board's decision making.
3. The Committee shall disclose the information regarding regular reviews of performance evaluation of directors, supervisors, and top manager; and the remuneration policies, procedures, standards, and structure.

II. When the Board disagree or modify recommendations from the Remuneration Committee, the meeting details, including date, session number, proposed content, and board resolutions with the handling of opinions from the committee by the Company therefor (for example, the board resolves a compensation higher than the committee's recommendation) shall be stated: None

III. For a committee resolution which some members of the committee opposed to or received reserved opinions over and were recorded or had a written statement in place, the meeting details, including date, session number, proposed content, all member opinions with the handling therefor shall be stated: None

IV. Proposals made by the Remuneration Committee and the resolutions therefore, and the handling of members' opinions by the Company in the recent year:

Remuneration Committee Meeting Session / Date	Discussion Item	Resolution	The Company's Reactions to the Members' Opinions
March 15, 2022	<p>Proposal 1: Reviewing the revisions to the Company's "Rules and Standards for Top Manager Performance Evaluation and Reward."</p> <p>Proposal 2: Reviewing the compensation package for the newly hired associated managers.</p> <p>Proposal 3: Reviewing the compensation package for the Vice President, Sales and Marketing.</p>	<p>All proposals were passed without demur after the inquiries by the meeting chairperson to all attending committee members.</p>	<p>All proposals were approved by the attending Board members.</p>

	<p>Proposal 4: Reviewing the actual distribution of 2021 profit sharing for top managers.</p> <p>Proposal 5: Reviewing 2021 profit sharing to directors and employees.</p> <p>Proposal 6: Reviewing 2021 Board performance evaluation</p>		
November 08, 2022	<p>Proposal 1: Reviewing the existing remuneration and compensation to the Board members and top managers.</p> <p>Proposal 2: Reviewing 2022 performance bonus for managers.</p> <p>Proposal 3: Reviewing the revision to “Employee Profit Sharing Rules and Standards.”</p> <p>Proposal 4: Reviewing “Rules and Standards for Top Manager Performance Evaluation and Reward” and the revisions to 2022 performance bonus for the top managers.</p>	<p>All proposals were passed without demur after the inquiries by the meeting chairperson to all attending committee members.</p>	<p>All proposals were approved by the attending Board members.</p>

Note: (1) For committee members resigning before the end of the current year, extra notes shall be made regarding the date of resignation, in-person meeting attendance ratio (%), calculated by the number of meeting convened by the Remuneration Committee over his/her tenure with the actual attendance number.

(2) All new and old members shall be listed with notes indicating whether he/she is newly elected, as well as the associated re-election dates, when there is a re-election of the Remuneration Committee members before the end of the current year. Attendance Rate in Person % = the number of actual attendance / the number of the meetings convened by the Remuneration Committee during the tenure

**(V) Performance of Sustainable Developments and Difference from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies:**

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
I. Has the Company formulated a governance structure for promoting matters regarding sustainable development with the establishment of a dedicated working unit which is authorized by the board of directors to be handled by the senior management and reported to the board of directors?	V		I. The Company has formed a Sustainable Development unit by staff crossing different departments to co-work and take on the implementation of the sustainable development policies and feedbacks.	No significant difference
II. Does the Company, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy? (Note 2)	V		II. Rooted from risk perspective, the Company, on regular and ad hoc basis each year, compiles issues with materiality internally and externally to understand the needs and expectations from stakeholders. Further analysis on the operation environment, including the environment, society, corporate governance will be made based on the materiality for formulating relative controlling measures to keep the risks from happening. III.	No significant difference

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
<p>III. Environmental Issues:</p> <p>(I) Has the Company established an appropriate environmental management system according to its industrial characteristics?</p> <p>(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with a low environmental impact?</p>	V		<p>(I) ISO 14001: The Company has passed 2015 environmental management certification. A dedicated working unit has been advocating and supervising environmental management, including safe keeping operation waste by category and employing approved vendors by the Environmental Protection Administration for disposition.</p> <p>(II) The Company manages production resources and waste, such as scrap, air pollution and wastewater, efficiently to fulfill its commitment to the social responsibilities. To maintain the environment quality and protect the biodiversity and ecosystem in the neighboring area, the Company has adopted the concept of pollution prevention when making uses of the limited resources, in order to help out in the green environment and resource sustainability. To achieve, the following specific measures have adopted:</p> <p>(1) Production technique upgrading: Cutting down machine and labor hours to lower the production costs, as well as bringing up the yield rate and to conserve energy.</p> <p>(2) Reinforce prevention and controlling measures for unnecessary waste due to energy leaking during production.</p> <p>(3) The Company has employed oil-water separating</p>	No significant difference

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
(III) Does the Company assess the potential risks and opportunities of climate change for enterprises now and in the future, and take measures to deal with climate-related issues?	V		<p>chip vacuum removal systems to deal with cutting fluid for prolonging the useful life of the fluid and tools by purifying the muddy sediment to reduce impacts from industrial waste to the environment.</p> <p>(III) To deal with climate change, the Company has adopted the following measures:</p> <ol style="list-style-type: none"> <li>(1) To deal with energy and resource scarcities and price fluctuation driven by debates among nuclear power, natural energy and climate change, the Company will phase out older-generation production procedures and phase in new-energy technology or adjust production model.</li> <li>(2) Procure relevant systems to handle waste fluid to mitigate environmental risks from outsourcing and to reduce handling costs.</li> <li>(3) Zhongshan Plant and the pressing plant have enrolled the “Conservation Audit Technology Information Service” from the Ministry of Economic Affairs that requests all energy users formulate conservation targets and the associated execution plans. The Company expect the plan will help to cut down electricity usage and cost and boost the profitability.</li> <li>(4) Cutting down power usage during the production to reduce unnecessary waste is a key energy-conservation policy of the Company. In addition, the</li> </ol>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Explanation (Note 2)									
(IV) Does the Company prepare statistics of greenhouse gas emissions, water consumption, and total weight of waste of waste in the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	V		<p>Comply participates “Regulation for power conservation targets from major industrial power users” announced by Bureau of Energy, Ministry of Economic Affairs, which stipulated an average annual power usage of 1% or more over 2015 to 2024. Accordingly, the total electricity save was 29\,6000 degree in 2022.</p> <p>(5) The Power factors have been effectively managed from all production plants. In 2022, an average of power factor of 98% was reached, followed by a reward of NT\$ 443,000 from Taiwan Power.</p> <p>(IV)</p> <p>1.The Company has finished the greenhouse emission check and the related inventory report. Accordingly, total CO2 emission in 2021 was 6,743.015 tons of CO2e and an ISO 50001 energy management system was established to achieve the reduction target.</p> <p>2. Water consumption: The Company has implemented several water-saving measures, which have effectively lower down the usage.</p> <p>Unit:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Water Usage (ton)</td> <td>18,008</td> <td>16,893</td> <td>16,845</td> </tr> </tbody> </table>	Year	2020	2021	2022	Water Usage (ton)	18,008	16,893	16,845	
Year	2020	2021	2022									
Water Usage (ton)	18,008	16,893	16,845									

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons		
	Yes	No	Explanation (Note 2)			
			<table border="1"> <tr> <td>Remark</td> <td>Total volume consumed in 2022 was 48 tons less than that in 2021.</td> </tr> </table> <p>3. Waste management policy: To save energy for lowering CO2 emission, the Company has actively advocated waste reduction and recycling.</p> <p>3.1 Waste Classification: Recycling and classification have been applied on general garbage and reusable resources. Pallets from the vendors are encouraged and requested to reuse for increasing the utility.</p> <p>3.2 Packaging materials: Reusable galvanized pallets have been chosen for packaging to reduce environmental impacts.</p> <p>3.3 Paperless operation and virtual server: Digitalized documentation has been expanded to achieve paperless operation and waste reduction. In addition, the physical servers have been gradually replaced with virtual ones to lower energy consumption from computer rooms and individual computers to push efforts in energy conservation and carbon reduction.</p> <p>3.4 Air-pressure system management: Regular checks have been implemented to the air-pressure system. For leaking check, all pipe cracks, switching valves and air outages shall be repaired and ensured for leakage-free status. Inverters have been added to air-pressure systems for proper usage and energy conservation purposes. In addition, some</p>	Remark	Total volume consumed in 2022 was 48 tons less than that in 2021.	
Remark	Total volume consumed in 2022 was 48 tons less than that in 2021.					

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Explanation (Note 2)									
			<p>low-energy-efficient systems have been replaced in 2022 for three new ones with the top Energy Efficiency Index.</p> <p>3.5 Green Purchase: Without compromise to functionality, products made with environmentally friendly materials, clean production and recyclable packaging will be selected first with the priority giving to options with Green Mark (used in water, energy saving and construction materials) to obtain higher green consumption ratio.</p> <p>3.6 Industrial liquid waste reduction: Several pieces of advanced equipment for reducing production waste liquid have been in use, including Vacuum Distillation Unit (HD090) and Centrifugal Oil Separator (CT-385S) to handle the cutting fluid, scrapped oil mixtures and cleansing fluid. Through vacuum distillation, water can be extracted from the fluid to cut down COD value for lowering environmental impacts and service charge paid.</p> <table border="1"> <thead> <tr> <th>Scrapped oil mixtures</th> <th>2020 Reduction</th> <th>2021 Reduction</th> <th>2022 Reduction</th> </tr> </thead> <tbody> <tr> <td>Water Usage (ton)</td> <td>192.6</td> <td>266</td> <td>346</td> </tr> </tbody> </table> <p>3.7 Waste sludge reduction and control: Water and weight reduction from Inorganic sludge generated from wastewater treatment facility.</p>	Scrapped oil mixtures	2020 Reduction	2021 Reduction	2022 Reduction	Water Usage (ton)	192.6	266	346	
Scrapped oil mixtures	2020 Reduction	2021 Reduction	2022 Reduction									
Water Usage (ton)	192.6	266	346									

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons						
	Yes	No	Explanation (Note 2)							
			<table border="1"> <thead> <tr> <th>Inorganic sludge</th> <th>2021 Reduction</th> <th>2022 Reduction</th> </tr> </thead> <tbody> <tr> <td>Water Usage (ton)</td> <td>7.8</td> <td>5.4</td> </tr> </tbody> </table> <p>3.8 Waste reduction in hazardous business: As 1-Bromopropane cleanser contains high explosion and environmental risks for its low flash point, a substitute analysis will be conducted for possible replacement. The warm Jet Washer (KC200) in Chenggong Plant was replaced with new models with water-soluble degreaser, EC-121, to cut down the usage of hydrocarbon solvent.</p>	Inorganic sludge	2021 Reduction	2022 Reduction	Water Usage (ton)	7.8	5.4	
Inorganic sludge	2021 Reduction	2022 Reduction								
Water Usage (ton)	7.8	5.4								

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
<p>IV. Social Issues:</p> <p>(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and International Human Rights Conventions?</p>	V		<p>(I) The Company has formulated associated policies and procedures for working rules, attendance management, sexual harassment prevention, and complaining and disciplinary management. The Company protects employees' legal rights, respect basic working rights, and conducts no activity compromising basic labor rights.</p> <p>Human rights cares and actions taken:</p> <ul style="list-style-type: none"> <li>• Provide a safe and healthy working environment</li> <li>• Eradicate illegal discrimination and ensure equal working opportunities</li> <li>• Prohibit use of child labor</li> <li>• Prohibit forced labor</li> <li>• Assist employees in maintaining physical and mental health and work-life balance</li> </ul>	No significant difference
<p>(II) Has the Company established and implemented reasonable employee welfare measures (including compensations, vacation and other benefits) and properly reflected the operating performance or results in employee compensation?</p>	V		<p>(II) Employee compensation policy takes account of individual ability, contribution to the Company, performance evaluation, market value of the position and future operation risks of the Company, and the correlation to the business results. When there's a net income from the Company's operation, a year of net provision ratio is 5.4%, it will be made according to the Company's Article of Incorporation operation.</p> <p>To attract and retain outstanding talents, employees are invited to share the business results with the Company:</p>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
(III) Does the Company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	V		<p>Employees compensation is composed of monthly salary and year-end bonus. Monthly salary offered based on past experience, capability and position taken of the employee. Year-end bonus given based on the Company operation and individual performance of the employee. Workplace Supports: Employees are entitled to take family care leave to allow managing work and family at the same time. In addition, special arrangements will be made to employees who just gave birth. Please refer to “Compensation and Benefits” under the Company’s website for more details.</p> <p>(III)</p> <p>(1) A dedicated working unit (the employee safety office) has been established to plan and monitor the associated management execution. In addition, to uphold employees’ welfare and plant safety, employee health checkups are provided regularly, and a self-defense fire drill is implemented every six months.</p> <p>(2) The “Occupational Safety and Health Committee” meets regularly to come up with campaigns regarding occupational safety and health management to ensure work casualties and carry out the related policies in the Company.</p> <p>(3) Applying “All-rounded exposure and risk assessment,” risks associated with occupational safety and health are identified ahead to formulate control countermeasures to</p>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
			<p>lower down risk impacts to business activities and operation.</p> <p>(4) Various “Environment safety competitions” have been held to establish a working culture of “Safety First” and “Full Crew Participation” and to promote the related environmental concepts, covering safety, health and pollution prevention, among all plant workers for creating a workplace of safety, health, energy conservation and high efficiency.</p> <p>(5) A program targeting preserving maternity health for female workers has been implemented to prevent occupational diseases relating but not limited to muscles, bones and physical and mental health from repeated movements, and abnormal workload. It covers hazard assessment and control, risk classification and management, and suitable work assignments, etc., to meet the needs of employee health services.</p> <p>(6) Employees who take on tasks with high risks need to receive the relevant training and obtain working qualifications and certificates. To strengthen workplace safety, new hires must not operate any machinery without needed prior training or on-site supervisor monitoring.</p> <p>(7) Employee workshops are provided to deliver the related knowledge, clarify questions and confusions related to health, and understand sicknesses causes for better health concepts and achieving a purpose of healthy employees.</p> <p>(8) Regular safety and health training aiming for building</p>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
			<p>healthy working attitude and preventing casualty and pollution protection is given according to the annual training program, including new employee learning maps, general trainings on environmental safety and health, hazardous chemicals, confined space, hearing protection, and waste material classification, etc., that covers new hires, existing employees, EHS courses for migrant workers, special working crew, and the environmental safety and health team.</p> <p>(9) To strengthen the protection from hazardous materials for the employees, Chemical Control Banding (CCB) has been applied to identify risky chemicals and exposures and their hazardous levels, in order to formulate necessary controlling measures.</p> <p>(10) For hazards caused by human factors, investigations have been made to all operation work and procedures, including job details and needed movements, to avoid repeated occupational injuries in muscles and bones and maintain workplace safety. A stretching exercise session has started in 2021 for indirect workers to assist in core muscles and strength buildings. An award from Ministry of Health and Welfare, "Health Management Prize for 2022 Prominent Healthy Workplace," was received accordingly.</p> <p>(11) Activities promoting a healthy lifestyle are provided constantly. As a result, the Badge of Accredited Healthy Workplace from Health Promotion Administration,</p>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
			<p>Ministry of Health and Welfare was received (by Zhongshan Plant in 2021, Chenggong Plant 1 in 2022 and Zhongshan Plant 2 in 2023).</p> <p>(12) ISO 45001, the occupational health and safety management systems, was implemented to establish the culture of “Zero Work Casualty.” Through the creation of the preventative measures, as well as innovation and continuous improvement, ISO 45001 certification, 2018 version, was awarded in 2021, which shall enhance the corporate competitiveness.</p> <p>(13) Following a total of five work accidents occurred in 2022, a frequency–severity indicator of 0.64, the improvement measures are as below:</p> <p>(13.1) Visible workplace safety signs are available in needed site with SOP.</p> <p>(13.2) Regular advocacy and spot checks on risky industrial safety items are implemented.</p> <p>(13.3) Regular checks on risky industrial safety items from the unit supervisors (engineer) are carried out.</p> <p>(13.4) Pre-work training is given from building safety knowledge to cultivating safe working habits.</p> <p>(13.5) Other machinery operation, including non-production equipment, tools and vehicles like stackers, is separated from human traffic, or monitored or marked with warning signs.</p> <p>(13.6) All production procedures are automated,</p>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
			mechanized and with jigs assistance and safety improvement. (13.7) Daily repair and maintenance work will be supervised by safety staff dispatched by the notifying units. All repair work will be immediately suspended when there's dangerous condition.	
(IV) Has the Company established plans that assist employees in effective career development and growth?	V		(IV) The Company gives internal and external training courses based on job competency map to enable employee professional qualities and advantages. New employees will receive orientation sessions from both the working department and the company. Professional training will be given based on the business strategy, department planning, and position needs. A total of 70 classes were given with 1,137 participants.	No significant difference
(V) Does the Company follow relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and grievance procedures to protect the rights and interests of consumers?	V		(V) (1) The Company has established "Procedures for Handling Customer Complains" and "Code of Ethics" with dedicated responsible units to handle customer service and question answering in a timely and effective manner. In addition, a stakeholder session has been set up to properly respond to issues of concern. (2) All handling of products, services, selling and labeling are based on the relevant regulations.	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
(VI) Does the Company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health or labor human rights issues?	V		<p>(VI)</p> <p>(1) Before dealing, all suppliers are asked to follow the procedures from “Supplier Management for Environmental Safety and Health” and “Vendor Management Procedures” Any records of environmental or social incidents from the suppliers will be taken into consideration in the selection procedure.</p> <p>(2) A “Supplier Management for Environmental Safety and Health” has established to require suppliers care for occupational safety and health and environmental management to ensure employee safety in the working plants and to prevent pollution causing significant impacts to the environment, which covers:</p> <p>a. All plant activities such as product and service repairs and modification, equipment moving, installation, addition or replacement.</p> <p>b. The construction contractors and suppliers who have received orders from the Company, with their brokering agencies, raw material suppliers or subcontractors.</p> <p>(3) The Company conducts initial screening, examination checks, regular audit to its suppliers. At the contract signing, a statement requiring adhering to labor laws and preventing environmental damages is listed as a mandatory provision to ensure suppliers’ promise to fulfill corporate social responsibilities. Any violation, especially when there are evident impacts to the environment and the</p>	

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
			<p>society, the signed contract can be terminated or cancelled immediately.</p> <p>(4) Examination on environment/safety &amp; health shall be conducted regularly on top-10 and high-risk (such as plating and painting services) vendors based on the outsourced units in every first quarter for any violation or compliance issues in the previous year. All records shall be kept in “Environmental and Safety &amp; Health Check List for Outsourced Contractor” for future reference.</p>	
V. Does the Company prepare the corporate social responsibility report and other reports that disclose the Company’s non-financial information in accordance with the international reporting standards or guidelines? Is the aforesaid report confirmed or guaranteed by a third-party verification unit?		V	The Company has not yet compiled such a report.	As stated in the left column.
VI. If the Company has its own corporate social responsibility best-practice principles in accordance with the “Corporate Social Responsibility Best-Practice Principle for TWSE/TPEX Listed Companies,” please state the implementation status and the difference: No significant difference.				
VII. Other important information to understand the operation of corporate social responsibilities: (Such as environmental protection, community participation, public contribution, social service, social charity, consumer rights, human rights, safety & health, and any other systems, measures and implementation for social responsibilities): (I) Environmental protection 1. The Company has completed the renewal review for ISO14001:2015 environmental management certification, which covers the latest international governing regulations and enables the improvement in pollution prevention and environment protection. For waste management, approved vendors by the Environmental Protection Administration are hired for the related operation. In addition, to reinforce the pollution prevention and environment				

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
<p>hygiene, related laws, the Waste Disposal Act, Amendment to Noise Control Standards, and Air Pollution Control Act, etc., have been strictly followed. All wastewater generated from production and domestic used are drained away through the sewer system in Min-Hsiung Industrial Park for centralized handling to ensure the community health and environmental quality.</p> <p>2. We have established ISO 50001 energy management system and carry out the energy inventory check to understand the overall energy consumption for more efficient management in order to lower energy costs and slow down greenhouse gas emission and other environmental impacts.</p> <p>(II) Community participation, public contribution, social service, and social charity</p> <p>1. Public contribution:</p> <p>(1) The Company has, for many times, conducted industrial and academic exchanges with many levels of schools, including open-house visits, to help students understand and experience actual business operation and get extra stimulus and inspiration when combining theories and application and making plans for future careers.</p> <p>(2) The Company has employed disadvantaged labor at a number beyond what is required by the government's policy.</p> <p>(3) A charity foundation was formed under the Company name to give hands to the vulnerable groups and make contribution to the society.</p> <p>(4) Various sponsorships have been given to Fu Le Community Development Association in various activities to facility social harmony and happiness.</p> <p>(5) The Company took part in an honorary worker selection campaign held by Minsyong Industrial Park Service to promote and reward workers of dedication and teamwork spirit.</p> <p>2. Social charity involvements:</p> <p>(1) A charity foundation was formed and funded under the Company's name to realize the ideas of "benefit creation, employee sharing, giving back" by supporting various 2022 charity events:</p> <p>a. Child welfare: Sponsoring AnAn's Home by subsidizing disadvantaged children in daily needs to level the life quality difference.</p> <p>b. Social help: Sponsoring Chiayi Spinal Cord Injury Association by donating relief supplies for patients to improve life quality.</p> <p>c. A batch of quick tests were donated to Beidou Township Police Station (a division from Minsyong Police sub-administration) to help out because the Covid pandemic.</p> <p>(III) Consumer rights</p> <p>The Company fully honored all contracts signed to ensure its own rights and benefits and the consumers'.</p> <p>(IV) Investors' relations</p> <p>The Company upholds fair and transparent treatments to all shareholders. Every year, the shareholders' meeting is convened in accordance with</p>				

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Explanation (Note 2)	
<p>Company Act and associated regulations by giving the meeting notices to all shareholders. In addition, shareholders are encouraged to involve in proposals of director election or chapter modification in the meeting. All major financial activities including asset dispositions, and loan endorsement, are presented to allow questions from shareholders to ensure the check and balance. All meeting minutes will be preserved properly and disclosed on Market Observation Post System, as stipulated in the shareholders' meeting procedures. Also, to ensure full acknowledgement, participation and decision-making to the major proposals of the Company, the annual report is made available before the shareholders' meeting every year, in addition to the spokesperson and deputy spokesperson who are dedicated to managing suggestions, doubts, and disputes.</p> <p>(V) Human rights The Company adheres to all related R.O.C. regulations and upholds standards from the International Labor Organization, including the International Labor Convention, and the Universal Declaration of Human Rights from the U.N., in order to formulate policies that meet commercial ethics, environmental protection, social issues, human rights, and other promises from public policies, which will be fully executed with related information disclosed in the annual reports and on the Company's websites. 1. Following regulations from Labor Standards Act and related laws, the Company places importance on the balance among health, work, family and leisure for employees. Accordingly, various events were arranged, mental health workshops, and aerobic classes. In the meantime, working hours are under close watch with strict prohibition of child labor, any forms of forced labor, and discrimination. 2. To reinforce gender equality employment, there is an unpaid-leave mechanism for employees taking parental leave, which takes cares of work reinstatement. In the meantime, employees are entitled to take leave for private matters, such as family care, menstrual needs, giving birth, paternity leave and paternity reasons. Also, a nursing room is set up inside the Company.</p> <p>(VI) Occupational safety and health The Company adheres to government regulations and related requirement for applicable international standards. ISO 45001:2018 Occupational Health and Safety Management Systems has been introduced to strengthen self-management, improve the safety and health level, and reduce work accidents, as the Company takes accountability to ensure employee well-being.</p>				

Note 1: If "yes" is checked for implementation status, important policies, strategies, measures and execution status shall be described specifically. If "no" is checked, reasons for deviations with responding actions in the future shall be stated under "Difference from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies." For Item 1 and Item 2, the TWSE/TPEX listed company shall describe sustainable development governance and supervising structure, not limited to management guidance, policy and target formulation and review measures. Additional description shall be made, regarding risk management policies or strategies for environmental, social and corporate governance issues due to the Company's operation.

Note 2: Materiality principle covers issues related to impacts brought by the Company's operation to environment, society and corporate governance affecting greatly to the investors of the Company and other interest parties.

Note 3: For disclosure, please refer to the official site of Corporate Governance Center, Taiwan Exchange, for best-practice examples.

**(VI) Performance of Ethical Corporation Management and the Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons:**

Performance of ethical corporation management and the differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons

Assessment Item	Implementation Status (Note 1)			Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Explanation	
<p>I. Establishment of policies and plans for ethical corporate management</p> <p>(I) Does the Company have an ethical corporate management policy approved by the Board with clearly statements about the related policy and practice in the internal regulations and external documents, as well as the commitment from the Board and senior management for the implementation?</p>	V		(I) Through the Board’s approval, the Company has stipulated “Ethical Corporate Management Best-Practice Principles,” “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Conducts” to clearly state the related policies and practices, as well as the commitment from the Board and senior management for the implementation. All business execution from the Board and senior management shall strictly abide by accordingly. All regulations mentioned above are available in the Company’s website.	No significant difference
<p>(II) Has the Company established an evaluation mechanism for the risk of unethical behaviors, regularly analyzed and evaluated the business activities with high risks of such behaviors within the business scope, and formulated a plan for prevention accordingly, which covers the</p>	V		(II) The preventive measures for the behaviors described in Article 7-2 under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” have been covered in the aforementioned regulation, which include giving or receiving bribes or improper interests, offering or promising facilitation	

Assessment Item	Implementation Status (Note 1)			Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Explanation	
<p>preventive measures for the behaviors described in Article 7-2 under “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”?</p> <p>(III) Does the Company stipulate the operation procedures, behavior guidelines, and disciplinary and grievance system in its unethical behavior prevention plan for thorough implementation, followed by regular review and revision of the plan?</p>	V		<p>payments or illegal political donation, conducting unfair competition, sponsoring undue charities, leaking business secrets, and any undertakings damaging rights and interests of stakeholders. Various prevention measures and advocacy events have been implemented to reinforce the policy for ethical corporate management.</p> <p>(III) Under our “Procedures for Ethical Management and Guidelines for Conduct,” improper interests and charity donation standards have been clearly defined with details on prevention procedures, violation disciplinary and whistleblowing system. The implementation shall be carried out thoroughly and regularly reviewed for revise when necessary.</p> <p>Through the Board’s approval on March 22, 2021, the Company has established “Whistleblowing measure for unethical conducts and anti-ethical corporate management” for filing and followed-up handling for both internal and external affairs.</p>	
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company access the ethical corporate management records of its counterparties and specify the ethical corporate management terms in the contracts it enters into with them?</p>	V		<p>(I) Does the Company access the ethical corporate management records of its counterparties and specify the ethical corporate management terms in the contracts it enters into with them to require thorough ethical conducts from the dealing parties. Any violation, the signed contract can be terminated or cancelled immediately.</p>	No significant difference

Assessment Item	Implementation Status (Note 1)			Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Explanation	
(II) Has the Company set up a dedicated unit under the Board to promote ethical corporate management and regularly (at least once a year) report to the directors the related policies and plans to prevent unethical behaviors, as well as its supervision of the implementation?	V		(II) The General Manager's Office and Operation Management Department are the two major units working together to advocate ethical management practices. Key tasks include making anti-fraud measures to comply with laws, designing whistleblowing system, hosting advocacy training courses, and carrying out clear and effective disciplinary mechanism. In addition, the Audit Office will conduct associated checking work and compile such findings into reports for reviews by the Audit Committee and the Board.	
(III) Does the Company have a prevention policy dealing with conflict of interest and provide appropriate channels for the specific explanation, with full execution?	V		(III) Policies for preventing conflict of interest are clearly stipulated in "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Conduct." To avoid compromising the Company's rights and interests for personal benefits, all reports shall be handled according to "Whistleblowing measure for unethical conducts and anti-ethical corporate management," when anti-integrity conducts are discovered. Those who are reported have rights and chances for explanation or appeal.	
(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, and has the internal audit unit, based on the assessment results of the risk of unethical			(IV) The Company has established effective accounting and internal control systems that are reviewed and modified periodically. There are designated personnel dedicating to audit both systems for giving improving comments to ensure the efficacy of the design and implementation and	

Assessment Item	Implementation Status (Note 1)			Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Explanation	
<p>behavior, drawn up relevant audit plans to check the preventative status for unethical behavior accordingly or entrusted an independent auditor for the work?</p> <p>(V) Does the Company regularly conduct internal and external sessions for ethical corporate management?</p>	V		<p>to create associating reporting to the Audit Committee and the Board. In addition, the Company has commissioned Deloitte Taiwan for reviewing and auditing financial statements regularly.</p> <p>(V) The Company has established “Code of Conducts” and “Ethical Corporate Management Best-Practice Principles” to reinforce the advocacy to the employee. Internal and external sessions for ethical corporate management: Internal and external training programs for issues related to ethical management held by the Company in 2022 (covering regulation compliance, safe and health management and testing, accounting system and internal control, etc.) totaled 241 participants and 1,679 hours.</p>	
<p>III. Whistleblowing System Operation</p> <p>(I) Has the company established specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?</p>	V		<p>(I) As described under “Whistleblowing measure for unethical conducts and anti-ethical corporate management,” reporting for illegal or unethical conducting is highly encouraged. To demonstrate the commitment from the Company, there are reporting channels available in both internal and external networks with dedicated personnel from the HR Department and the Audit Office taking care of reporting from the employees and external interest parties.</p>	No significant difference

Assessment Item	Implementation Status (Note 1)			Differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Explanation	
(II) Has the Company established the standard operating procedures for investigation of accused matters, followed-up measures after investigation and the relevant confidentiality mechanism?  (III) Does the Company take measures to protect the whistleblower from improper treatment due to the reporting?	V  V		(II) As described under “Whistleblowing measure for unethical conducts and anti-ethical corporate management,” confidentiality of whistleblower identity and details of the reporting is highly protected, with description on investigation procedures and followed-up measures afterward.  (III) As described under “Whistleblowing measure for unethical conducts and anti-ethical corporate management,” whistleblowers are protected and will not receive undue treatments due to reporting.	
IV. Enhancing Information Disclosure Does the Company disclose the details and advocacy effects of its ethical corporate management best-practice principles on its website and the MOPS?	V		Information regarding corporate culture and operation guidelines are displayed on the Company’s website. The ethical corporate management best-practice principles are available on the MOPS.	No significant difference
V. If the Company has its own ethical corporate management best-practice principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies,” please state the implementation status and the difference: No significant difference.				
VI. Other important information helpful to understand the Company’s ethical corporate management operation: The Company complies with Company Act, Securities and Exchange Act, and all regulation applied to TWSE/TPEX listed companies, and with which it applies as a basis for ethical operation and prohibits engaging in unethical conducts with counterparties during external business dealings. The Company has completed the revision of its “Ethical Corporate Management Best-Practice Principles” in November 2019. In March 2021, it stipulated “Procedures for Ethical Management and Guidelines for Conduct” and “Whistleblowing measure for unethical conducts and anti-ethical corporate management.”				

Note 1: Operation status, whether “Yes” or “No” is checked, shall be described in the summary description fields.

**(VII) Disclosure of searching methods shall be made If the Company has stipulated its “Corporate Governance Best-Practice Principles” and associated regulations:**

The following regulations, available for access through Company website and external sites, have been stipulated by the Company to implement and promote the operation of corporate governance: “Code of Conducts,” “Ethical Corporate Management Best-Practice Principles,” “Insider Trading Policy,” “Shareholders’ Meeting Procedures,” “Procedure for Board of Directors Meetings,” “Standard Procedures for Handling Requests form Board of Directors,” “Rules for Performance Evaluation of Board of Directors,” “Tsang Yow Corporate Governance Practice Principle,” “Procedures for Ethical Management and Guidelines for Conduct,” “Whistleblowing measure for unethical conducts and anti-ethical corporate management,” “Audit Committee Charter,” “Remuneration Committee Charter,” and “Rules Governing the Scope of Powers of Independent Directors,” as well as the completed internal control and audit systems.

**(VIII) Other important information to improve the understanding of the operation of corporate governance:**

The management team makes quarterly business reporting to the Board to assist in decision making for major operation issues.

**(IX) Disclosure for the implementation of internal control system:**

1. Statement of Internal Control: as shown on the following page
2. The audit report from the external report shall be presented if the audit of internal control system is conducted by an external auditor: Not applicable.

**Tsang Yow Industrial Co., Ltd.**  
**Statement of Internal Control System**

Date: March 15, 2023

Based on the results of self-assessment of the Company's internal control system in 2022, the Company hereby states the following:

- I. The Company acknowledges that it is the responsibility of the board of directors and the managers of the Company to establish, implement and maintain the internal control system, which has already been established by the Company. Its purpose is to provide reasonable assurance in achieving the objectives of operation effectiveness and efficiency (including profitability, performance and asset safety), in order to assure reliability, timeliness and transparency of reports, and compliance with relevant norms and regulations.
- II. The internal control system has its inherent limitations. However, no matter how well designed, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to the change of environment and situation, the effectiveness of internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a shortcoming is identified, the Company will immediately take corrective action.
- III. The Company judges the effectiveness of the design and implementation of the internal control system in accordance with 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 the process of management control, and the internal control system is divided into the following five components: 1. control environment, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervision operation. Each component includes several items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforesaid internal control system judgment items to assess the effectiveness of the design and implementation of the internal control system.
- V. Based on the assessment results, it is believed that the Company's internal control system on December 31, 2022 (including the supervision and management of subsidiaries), including the understanding of the operation effectiveness and the extent to which the efficiency objectives have been achieved, the reliability, timeliness, transparency of the report, and the design and implementation of the internal control system on the compliance with relevant norms, laws and regulations are effective and can reasonably assure the achievement of the objectives above.
- VI. This Statement will be the main content of the Company's annual report and prospectus, and will be made public. If the above-mentioned contents are false or concealing, the legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall be involved.
- VII. This Statement has been approved by the board of directors' meeting of the Company on March 15, 2023. 0 out of the 9 directors present had dissenting opinions, all have agreed with the contents of this Statement.

Tsang Yow Industrial Co., Ltd.

Chairman:

General Manager:

**(X) During the most recent year and up to the printing date of the annual report, the punishment of the Company and its insiders in accordance with the laws, the Company's punishment on its insiders for violating the provisions of the internal control system and the major deficiencies and improvements: None.**

**(XI) Important resolutions of the shareholders' meetings and the board of directors' meetings in the most recent year and up to the date of printing of the annual report:**

I. Important resolutions of the shareholders' meetings in the most recent year and up to the date of printing of the annual report:

**General Shareholders' Meeting: June 9, 2022**

1. Approved 2021 business report and financial statements  
Implementation status: Resolution made.
2. Approved 2021 earning distribution table.  
Implementation status: A record date of June 15, 2022 was set. Cash dividend and profit sharing by employees and directors was on June 30, 2022. (Cash dividend of NT\$0.3 per share.)
3. Discussed revisions to Company's "Articles of Incorporation."  
Implementation status: The registration to make revision was completed on June 21, 2022.
4. Discussed revisions to "Regulations Governing the Acquisition and Disposal of Assets."  
Implementation status: Proceeded according to revised procedures.
5. Discussed revisions to "Shareholders' Meeting Procedures."  
Implementation status: Proceeded according to revised procedures.

II. Important resolutions of the board of directors' meetings in the most recent year and up to the date of printing of the annual report:

**Meeting date: March 15, 2022**

1. Approved 2021 Statement of Internal Control.  
Implementation status: Filed for information disclosure.
2. Approved 2021 profit sharing to directors and employees by the Remuneration Committee
3. Approved 2021 business report and financial statements  
Implementation status: Filed for information disclosure.
4. Approved of 2021 profit sharing.
5. Revisions to Company's "Articles of Incorporation."  
Implementation status: Put forward in 2022 general shareholders' meeting.
6. Approved "Regulations Governing the Acquisition and Disposal of Assets."  
Implementation status: Put forward in 2022 general shareholders' meeting.
7. Approved "Shareholders' Meeting Procedures."  
Implementation status: Put forward in 2022 general shareholders' meeting.
8. Approved revisions to "Tsang Yow Corporate Governance Practice Principle."  
Implementation status: Proceeded according to revised procedures.
9. Approved the revision to the Company's "Sustainable Development Best-Practice Principles."  
Implementation status: Proceeded according to revised procedures.
10. Approved revisions to the Company's "Rules and Standards for Top Manager Performance Evaluation and Reward."
11. Approved the review from the Remuneration Committee about 2022 profit sharing to managers of the Company.
12. Approved the compensation package for the Vice President, Sales and Marketing.
13. Approved the review of compensation package for the newly hired associated manager from the Remuneration Committee
14. Approved the regular (once every year) review of independence the external auditor
15. Approved the hiring of the external auditor and decided on the compensation

16. Approved the Company's application for bank credit line.
17. Approved convening 2022 general shareholders' meeting.

**Meeting date: May 10, 2022**

1. Approved 2022 first quarter consolidated financial statements.  
Implementation status: Filed for the information disclosure.
2. Approved ex-dividend date for 2021 profit sharing.  
Implementation status: A record date of June 15, 2022 was set. Cash dividend and profit sharing by employees and directors was on June 30, 2022. (Cash dividend of NT\$0.3 per share.)
3. Approved short-term loan extension from Taipei Fubon Bank.

**Meeting date: August 09, 2022**

1. Approved 2022 second quarter consolidated financial statements.  
Implementation status: Filed for the information disclosure.
2. Approved the timetable for greenhouse gas check and verification.
3. Approved the Company's application for bank credit line.
4. Approved the endorsement by the Company for Wuxi Tsang Yow Auto Parts on the extension for a USD loan.

**Meeting date: November 8, 2022**

1. 1. Approved 2022 third quarter consolidated financial statements.  
Implementation status: Filed for the information disclosure.
2. Approved 2023 business plan and budget.
3. Approve 2023 internal audit plan.  
Implementation status: Filed for the information disclosure.
4. Approved the revisions to the Company's "Procedure for Board of Directors Meetings."  
Implementation status: Proceeded according to revised procedures.
5. Approved the revision to "Employee Profit Sharing Rules and Standards" from the Remuneration Committee.
6. Approved 2022 performance bonus proposal for the top managers from the Remuneration Committee.
7. 2. Approved the Company's lending target group and loan limits.
8. Approved the Company's application for bank credit line.
9. Approved "Rules and Standards for Top Manager Performance Evaluation and Reward" and the revisions to 2022 performance bonus for the top managers from the Remuneration Committee.

**Meeting date: March 15, 2023**

1. Approved 2022 Statement of Internal Control.  
Implementation status: Filed for the information disclosure.
2. Approved 2022 profit sharing to directors and employees by the Remuneration Committee.
3. Approved 2022 business report and financial statements.  
Implementation status: Filed for the information disclosure.
4. Approved of 2022 profit sharing proposal.
5. Approved the amendments to the Company's "Procedures for Handling Material Inside Information" and "Regulations for the Prevention of Insider Trading".
6. Approved the amendments to the Company's "Corporate Governance Best Practice Principles".  
Implementation status: Proceeded according to revised procedures.
7. Approved the amendments to the Company's "Sustainable Development Best Practice Principles".  
Implementation status: Proceeded according to revised procedures.
8. Approved the Company's "Regulations for Pre-Approved Non-Assurance Service

provided by Certified Public Accountants".

9. Approved the amendments to the Company's "Rules and Standards for Top Manager Performance Evaluation and Reward".

10. Scheduled the GHG inventory and verification for the Company's consolidated entity, Wuxi Tsang Yow Auto Parts Co., Ltd.

11. Approved the review from the Remuneration Committee about 2022 profit sharing to managers of the Company.

12. Approved the review of compensation package for the newly appointed vice president from the Remuneration Committee.

13. Approved the review of compensation package for the newly hired associated manager from the Remuneration Committee

14. Approved the regular (once every year) review of independence of the external auditor.

15. Approved the appointment of the Company's CPAs and resolved their remuneration proposals and the list of pre-approved non-assurance services.

16. Approved the medium- and long-term credit facilities renewal in the amount of NT\$50,000 thousand from Chang Hwa Commercial Bank.

17. Approved the proposal to convene 2023 Annual General Shareholders' Meeting.

**(XII) In the most recent year and up to the print date of the annual report, if the directors or supervisors have different opinions on the important resolutions passed by the board meeting with recorded or written statements in place, the main contents are:** None.

**(XIII) Summary of Resignations and Dismissals of Relevant Personnel of the Company (including Chairman, General Manager, Chief of Accounting Officer, Financial Chief, Chief Internal Audit Officer, Corporate Governance Director and R&D Director) in the Most Recent Year and Up to the Printing Date of the Annual Report:**

## Summary of resignations and dismissals of relevant persons

April 7, 2023

Title	Name	On-board Date	Dismissal Date	Dismissal Reason
None				

Note: Relevant personnel are Chairman, President, Chief Accounting Officer, Chief Financial Officer Chief Internal Audit Officer, Corporate Governance Director and R&D Director, etc.

## V. Independent Auditor Fee Information:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Audit Fee	Total	Remarks
Deloitte Taiwan	Chiang, Jia-Ling	01/01/2022– 12/31/2022	3,110		3,260	
	Wu, Chiu-Yen	01/01/2022– 12/31/2022				
	Lai, Yung-Fa	01/01/2022– 12/31/2022		150		Transfer pricing report

Note: Audit period shall be listed separately when there is a change of CPAs or accounting firm. Reasons for changes shall be stated in the remarks column, along with all fees paid. Service details shall be disclosed for non-audit fees paid in footnote.

**(I) Changes of accounting firm and the audit fees paid for the year in which the change took place are lower than those paid for the year immediately preceding the change:** None.

**(II) Audit fees paid for the current year are lower than those paid for the immediately preceding year by 10% or more:** None.

## V. Change in CPAs:

## (I) Information Regarding the Former CPAs

Date of replacement	Approved by the Board of Directors on March 15, 2022		
Reason for replacement and explanation	In order to maintain the independence of the CPAs and to implement the internal rotation mechanism in the accounting firm, the Company's CPAs have been replaced from the former CPA Chiang Jia-Ling and CPA Liu, Yu-Hsiang to CPA Chiang, Jia-Ling and CPA Wu, Chiu-Yen since 2022.		
Describe whether the Company terminated the engagement or if the CPAs terminated the engagement or did not accept it.	Counter Party	CPA	The Company
	Circumstances	Not applicable	Not applicable
	Terminated the engagement	Not applicable	Not applicable
	No longer accepted (discontinued) the engagement	Not applicable	Not applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
		Accounting principles or practices	

Disagreement with the Company?	Yes		Disclosure of financial reports
			Audit scope or steps
			Others
	None	✓	
	Explanation		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None		

(II) Information Regarding the Successor CPAs

Name of accounting firm	Deloitte Taiwan
Name of CPAs	CPAs: Chiang, Jia-Ling and Wu, Chiu-Yen
Date of engagement	Approved by the Board of Directors on March 15, 2022
Consultation matters and results regarding the accounting treatment of or application of accounting principles to specified transactions, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	None

III. The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: Not applicable.

VII. Whether or not the chairman, general manager or manager in charge of financial or accounting affairs of the Company has worked in the firm of the independent auditor or its affiliated enterprises in the past year. Information, including name, position, the accounting firm or the related enterprise, shall be disclosed: None.

VIII. Shareholding transfer and equity pledge by directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the printing date of the annual report:

**(I) Changes in shareholdings of directors, supervisors, managers and major shareholders**

Unit: share

Title (Note 1)	Name	2022		Current Year	
				As of March 31	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Chairman	Su, Chi-Tse	-	-	-	-
Top Shareholder	Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	-	-	-	-
Director	Golden Top Investment Co., Ltd.	-	-	-	-
Corporate Representative:	Golden Top Investment Co., Ltd. - Yang, Yen-Ching	-	-	-	-
Director	Rich Pool Investment Co., Ltd.	-	-	-	-
Corporate Representative	Rich Pool Investment Co., Ltd. - Hsieh, Hsin-Shu	-	-	-	-
Corporate Representative/General Manager	Rich Pool Investment Co., Ltd. - Su, Chi-Hu	(34,000)	-	-	-
Director	Su, Hsin-Cheng	-	-	-	-
Director	Chu, San-Tu	-	-	-	-
Independent Director	Ou, Chin-Shyh	-	-	-	-
Independent Director	Chen, Chih-Chang	-	-	-	-
Independent Director	Lin, Chiu-Hsien	-	-	-	-
Vice President	Kuo, Wen-Tang	-	-	-	-
Vice President	Chu, Chen-Yi	(19,000)	-	-	-
Vice President	Wang, Hu-Cho (Footnote 1)	(22,000)	-	-	-
Associated Manager	Chiang, Shu-Chen (Footnote 2)	(20,000)	-	-	-
Associated Manager	Fang, Chi-Tsai (Footnote 3)	-	-	-	-
Associated Manager	Chang, Ming-Chang (Footnote 4)	-	-	-	-
Chief Financial Officer	Huang, Fang-Jang	(8,000)	-	-	-
Chief Accounting Officer	Chen, Hui-Jung	-	-	-	-

Note 1: Shareholders hold more than 10% of the Company shall be listed as top managers and listed separately.

Note 2: Where the counterparty in any transfer or pledge of shareholding is a related party, information regarding transfer or pledge shall be disclosed.

Footnote 1: A promotion was given on January 13, 2023. The General Manager of Wuxi Tsang Yow Auto Parts Co., Ltd. is now also a Vice President in GM Office.

Footnote 2: A former Associated Manager in the Material & Parts Department and was transferred to the GM Office on January 1, 2023.

Footnote 3: An associated manager resigned on March 11, 2022.

Footnote 4: Assistant Manager of Technical Department was newly appointed on March 6, 2023.

**(II) Shareholding transfer or pledge:** Not applicable.

IX. Top-10 Shareholders Who are a Spouse or a Second-degree Relatives to Each Other:

Related Party Relationship among top-10 Shareholders

April 1, 2023 Unit: Share

Name (Note 1)	By the Shareholder		Spouse and Minor Shareholding		Shareholding in Other's Names		Related Shareholders (Spouses or Second-Degree Relatives) (Note 3)		Remark
	Current Shareholding		No. of Shares	Shareholding %	No. of Shares	Shareholding %	Title(or Name)	Relationship	
	No. of Shares	Shareholding%							
Linesoon Investment Co.,Ltd.	19,955,314	19.36 %	0	0%	0	0%	-	-	
Representative: Su, Chin-Chih	1,467,000	1.42%	0	0%	0	0%	Rich Pool Investment Co., Ltd. Representative: Su, Chi-Tse	First-degree relative	
							Su, Chi-Wen		
							Chu, Chen-Yi		
							Golden Top Investment Co., Ltd. Representative: Su, Hsin-Cheng	Second-degree relative	
Rich Pool Investment Co., Ltd.	7,961,779	7.72%	0	0%	0	0%	-	-	
Representative: Su, Chi-Tse	1,781,867	1.73%	0	0%	0	0%	Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	First-degree relative	
							Su, Chi-Wen	Second-degree relative	
							Chu, Chen-Yi		
Golden Top Investment Co., Ltd.	7,427,058	7.20%	0	0%	0	0%	-	-	
Representative: Su, Hsin-Cheng	1,717,762	1.67%	0	0%	0	0%	Su, Yu-Chih	First-degree relative	
							Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	Second-degree relative	
							Su, Yung-Chang		
Hui-Che Teng	2,755,671	2.67%	0	0%	0	0%	-	-	
Su, Chi-Tse	1,781,867	1.73%	0	0%	0	0%	Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	First-degree relative	
							Su, Chi-Wen	Second-degree relative	
							Chu, Chen-Yi		
Su, Yu-Chih	1,774,990	1.72%	0	0%	0	0%	Golden Top	First-degree relative	

Name (Note 1)	By the Shareholder		Spouse and Minor Shareholding		Shareholding in Other's Names		Related Shareholders (Spouses or Second-Degree Relatives) (Note 3)		Remark
	Current Shareholding		No. of Shares	Shareholding %	No. of Shares	Shareholding %	Title(or Name)	Relationship	
	No. of Shares	Shareholding%							
							Investment Co., Ltd. Representative: Su, Hsin-Cheng		
Su, Hsin-Cheng	1,717,762	1.67%	0	0%	0	0%	Su, Yu-Chih	First-degree relative	
							Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	Second-degree relative	
							Su, Yung-Chang		
Su, Chi-Wen	1,614,227	1.57%	0	0%	0	0%	Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	First-degree relative	
							Su, Chi-Tse	Second-degree relative	
							Chu, Chen-Yi		
Su, Yung-Chang	1,551,990	1.51%	0	0%	0	0%	Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	Second-degree relative	
							Golden Top Investment Co., Ltd. Representative: Su, Hsin-Cheng		
Chu, Chen-Yi	1,497,491	1.45%	684,000	0.66%	0	0%	Linesoon Investment Co.,Ltd. Representative: Su, Chin-Chih	First-degree relative	
							Su, Chi-Tse	Second-degree relative	
							Su, Chi-Wen		

Note1: All top-10 shareholders shall be listed. Names of legal persons and their representatives shall be disclosed for corporate shareholders.

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in the name of oneself, spouse and minor children or in the name of others.

Note 3: If the shareholders listed above include legal persons and natural persons, disclosure their relationships shall be in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Shareholdings in the same investee enterprise held by the Company, its directors, supervisors, managers and the Company's directly and indirectly controlled entities, and the consolidated shareholding ratio:

Combined Shareholdings			Unit: thousand shares			
Investee Enterprises (Note)	By the Company		By directors, supervisors, managers and the directly and indirectly controlled entities		Total Investment	
	No. of Shares	Shareholding Ratio %	No. of Shares	Shareholding Ratio %	No. of Shares	Shareholding Ratio %
All-Aspect International Corp.	50	100.00	-	-	50	100.00
Giant Finance Inc.	13,795	100.00	-	-	13,795	100.00
Business International Corp.	13,510	100.00			13,510	100.00
Wuxi Tsang Yow Auto Parts Co., Ltd.	12,000	100.00	-	-	12,000	100.00

Note: The investment is accounted for by using the equity method.

## Chapter Four. Capital Formation

### I. Capital and Shares

#### (1) Source of Capital:

##### 1. Source of Capital

Unit: share/NT\$ thousands

Month and Year	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		No. of Shares	Amount	No. of Shares	Amount	Share capital Source	Share Capital paid in Assets Other Than Cash	Other
January 1985	1,000	5,000	5,000	5,000	5,000	Incorporation	None	
November 1996	1,000	10,000	10,000	10,000	10,000	New cash capital: \$5,000 thousand	None	
December 1997	1,000	20,000	20,000	20,000	20,000	New cash capital: \$10,000 thousand	Note 1	
September 1999	10	10,000,000	100,000	5,966,000	59,660	New cash capital \$5,000 thousand Earning conversion \$34,660 thousand	Note 2	
September 2000	15	59,660	200,000	15,946,500	159,465	New cash capital \$40,145 thousand Earning conversion \$59,660 thousand	Note 3	
August 2001	10	59,660	200,000	18,338,475	183,384	Earning conversion: \$23,920 thousand	Note 4	
June 2002	10	35,000,000	350,000	23,840,017	238,400	Earning conversion: \$55,015 thousand	Note 5	
December 2002	10	35,000,000	350,000	25,840,017	258,400	New cash capital \$20,000 thousand	Note 6	
April 2003	10	35,000,000	350,000	30,840,017	308,400	New cash capital \$50,000 thousand	Note 7	
June 2003	10	308,400	308,400	38,550,021	385,500	Earning conversion: \$77,100 thousand	Note 8	
December 2003	10	308,400	308,400	40,050,021	400,500	New cash capital \$15,000 thousand	Note 9	
September 2004	10	308,400	308,400	48,060,024	480,600	New cash capital \$56,070 thousand Capital surplus conversion \$24,030 thousand	Note 10	
July 2005	10	67,000,000	670,000	52,866,026	528,660	New cash capital \$24,030 thousand Capital surplus conversion \$24,030 thousand	Note 11	
February 2006	17	67,000,000	670,000	62,866,026	628,660	New cash capital \$100,000 thousand	Note 12	
July 2006	10	150,000,000	1,500,000	62,866,026	628,660	Change of the approved capital	Note 13	
May 2007	10	150,000,000	1,500,000	63,009,126	630,091	Employee stock warrant exercise: \$1,431 thousand	Note 14	
August 2009	10	150,000,000	1,500,000	63,166,626	631,666	Employee stock warrant exercise: \$1,575 thousand	Note 15	
November 2007	10	150,000,000	1,500,000	64,049,626	640,496	Employee stock warrant exercise: \$8,830 thousand	Note 16	
March 2008	10	150,000,000	1,500,000	64,080,626	640,806	Employee stock warrant exercise: \$310 thousand	Note 17	
April 2008	10	150,000,000	1,500,000	64,113,126	641,131	Employee stock warrant exercise: \$325 thousand	Note 18	

Month and Year	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		No. of Shares	Amount	No. of Shares	Amount	Share capital Source	Share Capital paid in Assets Other Than Cash	Other
August 2008	10	150,000,000	1,500,000	64,124,126	641,241	Employee stock warrant exercise: \$110 thousand	Note 19	
September 2008	20	150,000,000	1,500,000	74,124,126	741,241	New cash capital \$100,000 thousand	Note 20	
October 2008	10	150,000,000	1,500,000	74,134,126	741,341	Employee stock warrant exercise: \$100 thousand	Note 21	
December 2008	10	150,000,000	1,500,000	81,631,559	816,315	Capital surplus conversion \$74,974 thousand	Note 22	
December 2009	10	150,000,000	1,500,000	91,631,559	916,315	New cash capital \$100,000 thousand	Note 23	
May 2014	10	150,000,000	1,500,000	103,086,559	1,030,866	New cash capital \$114,550 thousand	Note 24	

Note: 1. All capital information shall be updated till the most recent year and up to the date of printing of the annual report

2. New capital increase shall include the approval document with the issuing date and number.

3. Any shares offered below the par value shall be specially marked.

4. Shares issued out of monetary bonds or technology shall be explained with types of assets used and associated amounts.

5. Any shares offered through private placement shall be specially marked.

Note 1: 12/27/1997 Ba-Liu-Jian-Er-Geng-Zi No.286345

Note 2: 10/06/1999 Jing(88)-Zhong-Zi No.88691841

Note 3: 11/01/2000 Jing-(089)-Zhong-Zi No.089140552

Note 4: 09/06/2001 Jing-(90)-Zhong-Zi No.09001359810

Note 5: 07/10/2002 Jing-Shou-Shzng-Zi No.09101262350

Note 6: 01/08/20023 Jing-Shou-Shzng-Zi No.09101526690

Note 7: 05/26/2003 Jing-Shou-Shzng-Zi No.09201155510

Note 8: 06/27/20023 Jing-Shou-Shzng-Zi No.09232280950

Note 9: 12/30/2003 Jing-Shou-Shzng-Zi No.09233205610

Note 10: 09/07/2002 Jing-Shou-Shzng-Zi No.09332676040

Note 11: 07/05/2005 Jing-Shou-Shzng-Zi No.09401183230

Note 12: 02/13/2006 Jing-Shou-Shzng-Zi No.09501025020

Note 13: 02/13/2006 Jing-Shou-Shzng-Zi No.09501136190

Note 14: 05/22/2007 Jing-Shou-Shzng-Zi No.09601110340

Note 15: 08/21/2007 Jing-Shou-Shzng-Zi No.09601201690

Note 16: 11/26/2007 Jing-Shou-Shzng-Zi No.09601289130

Note 17: 03/10/2008 Jing-Shou-Shzng-Zi No.09701058480

Note 18: 04/17/2008 Jing-Shou-Shzng-Zi No.09701089780

Note 19: 08/28/2008 Jing-Shou-Shzng-Zi No.09701216750

Note 20: 09/17/2008 Jing-Shou-Shzng-Zi No.09701239110

Note 21: 10/20/2008 Jing-Shou-Shzng-Zi No.09701266910

Note 22: 12/05/2008 Jing-Shou-Shzng-Zi No.09701305380

Note 23: 12/15/2009 Jing-Shou-Shzng-Zi No.09801285670

Note 24: 05/23/2014 Jing-Shou-Shzng-Zi No.10301093860

## 2. Share Types

April 01, 2023

Unit: shares

Type	Share	Approved share capital			Remark
		Outstanding shares (Note 1)	Unissued shares	Total	

Nominal common shares	103,086,559	46,913,441	150,000,000	Include 4,000,000 shares from employee stock warrant
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Note: Whether the shares are TWSE/TPEX listed or TWSE/TPEX listing restricted shall be noted.

Note 1: Include treasury stock of 740,000 shares.

3. Shelf registration statement: None

## (II) Shareholder structure:

Shareholder structure: April 01, 2023 Unit: persons/shares

Shareholder structure: Number	Government Agencies	Financial Institutions	Other Legal Persons (Note 1)	Individual	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	0	26	10,905	27	10,959
Shareholding (Shares)	130,117	0	36,886,720	64,047,410	2,022,312	103,086,559
Shareholding %	0.13%	0%	35.78%	62.13%	1.96%	100%

Note: TWSE/TPEX and emerging market listed companies shall disclose shareholding held by Mainland China entities, which are citizens, legal persons, entities, other institutes or investees domiciled in a third area as described in Article 3 under Measures Governing Investment Permit to the People of Mainland Area.

Note 1: Include treasury stock of 740,000 shares.

## (III) Share ownership distribution:

1: Common Shares:

Ownership Distribution April 01, 2023 Unit: shares

Shareholding Tier	Number of Shareholders	Shareholding (Shares)	Shareholding %
1 - 999	2,488	322,443	0.31
1,000 - 5,000	6,973	14,086,739	13.66
5,001 - 10,000	848	7,156,136	6.94
10,001 - 15,000	214	2,788,224	2.70
15,001 - 20,000	147	2,786,134	2.70
20,001 - 30,000	113	2,955,369	2.87
30,001 - 40,000	41	1,462,578	1.42
40,001 - 50,000	33	1,551,190	1.50
50,001 - 100,000	50	3,509,151	3.40
100,001 - 200,000	19	2,740,424	2.66
200,001 - 400,000	7	2,079,680	2.02
400,001 - 600,000	4	1,860,176	1.80
600,001 - 800,000	5	3,381,396	3.28
800,001 - 1,000,000	2	1,674,584	1.62
> 1,000,001	15	54,732,335	53.12
Total	10,959	103,086,559	100.00

Note 1: Include treasury stock of 740,000 shares.

2. Preferred Share: Not applicable.

**(IV) List of Major Shareholders:**

Major Shareholders		April 01, 2023	
Shareholders	Shareholding (shares)	Shareholding (%)	
Name of Major			
Linesoon Investment Co.,Ltd.	19,955,314	19.36%	
Rich Pool Investment Co., Ltd.	7,961,779	7.72%	
Golden Top Investment Co., Ltd.	7,427,058	7.20%	
Teng, Hui-Che	2,755,671	2.67%	
Su, Chi-Tse	1,781,867	1.73%	
Su, Yu-Chih	1,774,990	1.72%	
Su, Hsin-Cheng	1,717,762	1.67%	
Su, Chi-Wen	1,614,227	1.57%	
Su, Yung-Chang	1,551,990	1.51%	
Chu, Chen-Yi	1,497,491	1.45%	

**(V) Market Price, Net Worth, Earnings, and Dividends per Share and Other Relevant Information in the Past Two Years:**

Net Worth, Earnings, and Dividends Per Share			Unit: thousand shares/NT\$	
Item	Year	2021	2022	As of March 31, 2023
Market Price Per Share (Note 1)	Highest	Lowest	32.45	25.30
	Average	18.50	18.75	22.25
	Highest	30.01	27.89	24.14
Net Worth Per Share (Note 2)	Before Distribution	14.6	15.92	-
	After Distribution	14.3	14.82	-
Earnings Per Share	Weighted Average Shares	101,986	102,907	-
	Earnings Per Share(Note 3)	0.29	1.62	-
Earnings Per Share	Cash Dividend	0.3	1.1	-
	Stock Dividend	Earnings Distribution	-	-
		Capital Distribution	-	-
	Accumulated Undistributed Dividend (Note 4)	-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)	88.24	14.78	-
	Price / Dividend Ratio (Note 6)	85.3	21.63	-

	Cash Dividend Yield (Note 7)	1.17%	4.62%	-
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\* Disclosures of market price and dividend shall be made by tracing back with number of shares issued out of earnings or capital surplus.

Note 1: The highest and lowest share prices for the year. Average price of the year is calculated based on transaction value and transaction volume.

Note 2: Figures shown are based on the number of shares issued at the end of the year and the resolved distribution from the Board or the shareholders' meeting in the following year.

Note 3: Per share earnings shall include before and after adjustment figures when tracing back due to stock dividends.

Note 4: Information of accumulated undistributed dividends as of the end of the year shall be disclosed if it is stipulated that undistributed dividends can only be appropriated in the profitable year under the terms of equity security issuance.

Note 5: Note 1: Price/Earnings Ratio = Average Market Price / Earnings per Share.

Note 6: Note 1: Price/Earnings Ratio = Average Market Price / Earnings per Share.

Note 7: Price/Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 8: Information on per share net worth and earnings, reviewed or audited by the CPAs, from the latest quarter up to the printing date of the annual report shall be provided.

## **(VI) Dividend Policy and Implementation Status:**

### **1. Dividend policy under the Article of Incorporation,**

Profit appropriation will follow the order below if there is a surplus in the Company's annual final accounts:

- (1) paying tax;
- (2) making up for the loss accumulated;
- (3) setting aside 10% as the legal reserve;
- (4) appropriating or reversing special reserve based on regulations or operation needs.
- (5) If there is a balance remaining, the balance plus the undistributed earnings is the distributable earnings, from which the board of directors shall propose dividend distribution and submit to the shareholders' meeting for approval. The dividend distribution can be in the form of stock or cash.

Based on Article 240-5, the Company authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and such distribution shall be submitted to the shareholders' meeting for reporting.

The Company will factor in the industry condition and the growth stage of the Company to meet capital needs and long-term financial planning, as well as cash flow demands from the shareholders. Therefore, a certain percentage from distributable earnings will set aside for shareholder dividends, of which the cash distribution shall not be lower than 10%. The type and percentage of such distribution might be adjusted by the shareholders' meeting depending on actual surplus and capital needs.

In addition, while not stipulating in the Article of Incorporation, the Board of Directors is to distribute a cash dividend no less than 40% of the net income in each year for the next three years, after considering the needs of financial structure and operation expansion.

### **2. Proposed Dividends Distribution in the Shareholders' Meeting:**

The proposal to distribute the Company's 2022 earnings has been resolved by the board of directors on March 15, 2023. Cash dividends of NT\$1.1 per share were proposed to be distributed to shareholders, for a total of NT\$112,581,215 and are yet to be submitted to the 2022 shareholders' meeting.

## **(VII) Impacts to the Company's Operation from Stock Dividends Proposed by the Shareholders' Meeting: None.**

## **(VIII) Compensation to Employees, Directors and Supervisors:**

### **1. Compensation Percentage and Scope, from Articles of Incorporation, for Employees, Directors, and Supervisors:**

\* If there is a surplus generated from annual operation, a no less than 3% distribution shall be allocated for employee profit sharing. The type of distribution shall be resolved by the

Board, which shall cover employees fitting the specific criteria. From the same surplus, the Board of Directors shall make a no less than 5% distribution as compensation to the directors.

Distribution to employees and directors shall be reported in the shareholders' meeting.

When there's still accumulated loss, a provision for making up shall be set aside, then the distribution can be made based on the percentages above.

2. The basis for estimating the amount of employees' compensation and remuneration to directors and for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
  - (1) After considering earning level and industry standard, based on the percentage described in the Article of Incorporation, the Company makes distribution when there are annual earnings generated. The distribution proposal will be reviewed by the Remuneration Committee and sent to the Board of Directors for resolution and to the shareholders' meeting for reporting.
  - (2) The annual distribution to employees and directors are recognized as a current expense and liability based on "Accounting Treatment on Employee Profit Sharing and Compensation to Directors and Supervisors," Letter (96) Chi Mi Tzu No. 52 from Accounting Research and Development Foundation. If the amount of change is insignificant by the standards, it can be treated as changes in accounting estimates and classified as profit or loss of the next year.
3. Distribution approved by the Board of Directors:
  - (1) Cash or stock distribution allocated to employees' compensation and directors' and supervisors' remuneration:  
The Company's board of directors resolved to distribute directors' remuneration of NT\$6,103,834 and employees' compensation of NT\$12,207,669 on March 15, 2023, all of which are paid in the form of cash. The proposed distributions were reviewed and approved by the Remuneration Committee on March 15, 2023 and are yet to be submitted to the shareholders' meeting.
  - (2) The amount of any employees' compensation distributed in stocks, and the size of that amount as a percentage of the sum of the net profit stated in in the financial statements for the current period and total employees' compensation: All employee compensation will be paid in cash; therefore, the calculation is not applicable.
4. The actual distribution to employees and directors and supervisors for the preceding year: Actual distributions for 2021 were NT\$1,097,536 to the directors and NT\$2,195,071 to the employees, respectively, which were no different from the expense recognized for the year.

**(IX) Buyback of Common Stock:**

Buyback by the Company during the recent year up to the printing date of the annual report is as follows:

**(1) Share buyback from the Company (completely executed) April 07, 2023**

Buyback	First Buyback	Second Buyback
Purpose of the Buyback	Shares transferred to employees	Shares transferred to employees
Buyback Period	11/26/2018 - 01/03/2019	05/13/2010 - 06/19/2010
Price Range	NT\$12.53 - NT\$29.39	NT\$10.47 - NT\$21.92
Types and Amount Bought	Common shares: 554,000	Common shares: 740,000
Amount Paid	NT\$10,711,878	NT\$11,796,963
As a Percentage of Estimated Buyback	55.40%	74.00%

(%)		
Shares Annulled or Transferred	554,000 shares	0 shares
Accumulated Shares Held	0 shares	740,000 shares
Shares Held as a Percentage of Total Issuance (%)	0%	0.72%

II. Status of Corporate Bonds: None.

III. Status of Preferred Shares: None.

IV. Status of Global Depository Shares: None.

V. Status of Employee Stock Option: None.

VI. Status of Employee Restricted Stock: None.

VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

VIII. Implementation of the Capital Allocation Plans:

- (I) A description of the plans: For the period as of the quarter preceding the publication date of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement. Such descriptions shall include any and all changes to the plan, the source of funds and the manner of their utilization, the reason(s) for any changes to the plan, the benefits yielded by the funds before and after any change to the plan, the date on which the change to the plan was reported at a shareholders' meeting, and the date on which such information was uploaded to the information disclosure website specified by the FSC: None.
- (II) Status of implementation: for funds usage under the plans referred to in the preceding subparagraph, the annual report shall (for the period as of the quarter preceding the date of publication of the annual report) analyze the status of implementation and compare actual benefits with expected benefits. Where implementation has failed to yield the expected progress or benefits, the annual report shall provide specific reasons for such failure, explain any effect it might have upon shareholders' equity, and outline the plan for correcting the situation: None.

## Chapter Five. Operational Highlights

### I. Business Content

#### (I) Business Scope

##### 1. Core Business Items

- Automatic Transmission Parts for Automobiles
- Torque Converter for Automobiles
- Manual Transmission Parts for Automobiles
- Steering Parts for Automobiles
- Engine Parts for Automobiles
- Clutch Parts for Heavy-duty Trucks
- Ship Transmission Parts
- Drivetrain Parts for Industrial Machinery
- Aircraft and Related Parts Making
- Bikes and Related Parts Making
- Scooters and Related Parts Making
- Other Transport Tools and Related Parts Making
- Electronic Parts Making
- Self-usage power generation equipment utilizing renewable energy industry

##### 2. Business Mix

Unit: NT\$ thousands; %

Product Category	2021	As % of Sales	2022	As % of Sales
Automatic Transmission Parts for Automobiles	1,415,928	77.55	1,332,898	74.42
Clutch Parts for Heavy-duty Trucks	114,637	6.28	166,591	9.3
Drivetrain Parts for Industrial Machinery	134,696	7.38	102,340	5.71
Automatic Transmission Components for Air Conditioner Compressors	35,196	1.93	40,983	2.29
Automatic Transmission Components for Ships	19,866	1.09	33,091	1.85
Parts Finishing	24,537	1.34	17,411	0.97
Others	80,947	4.43	97,629	5.46
<b>Total</b>	<b>1,825,807</b>	<b>100.00</b>	<b>1,790,943</b>	<b>100.00</b>

##### 3. Products Currently Offered by the Company

Key Products	Application/Function
Automobile	<ul style="list-style-type: none"> <li>● Automatic transmission parts are mainly used in drivetrain devices and gear shifts in automobiles</li> <li>● Torque converter parts are mainly used in engine and liquid torque converter for automobiles</li> </ul>
Heavy-duty Truck	Mainly for clutch in heavy-duty trucks
Industrial Machinery	Drivetrain device are mainly used in farm machinery, excavators, and snowmobiles

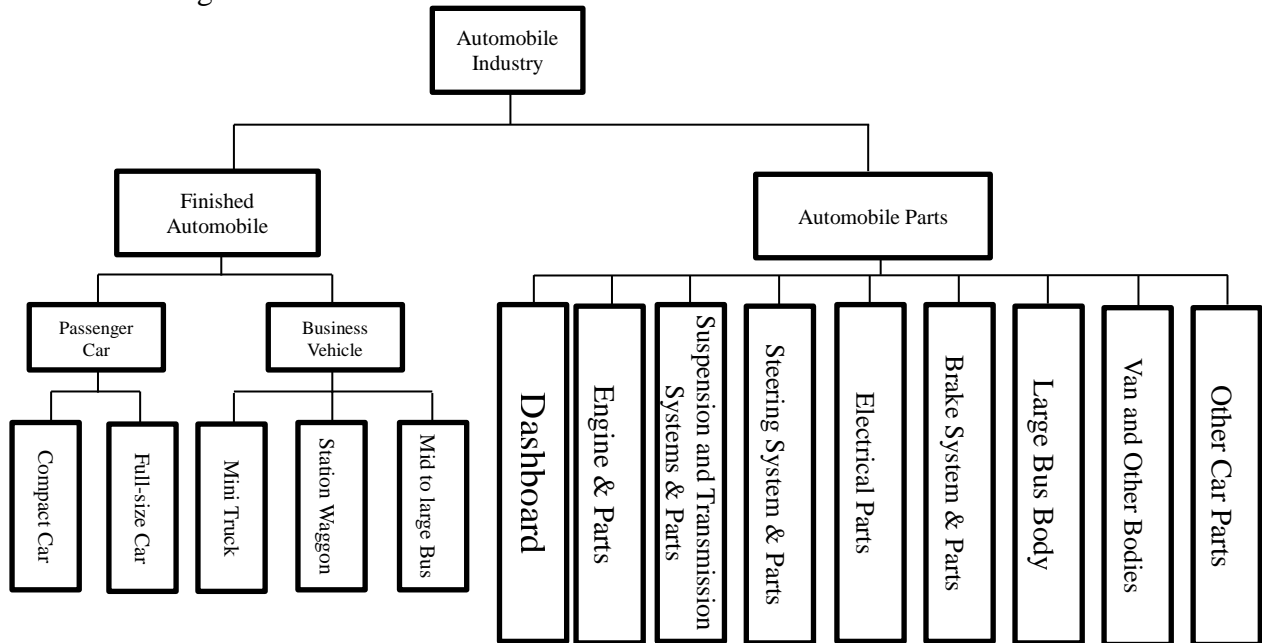
Drivetrain device parts in automobiles are the core products of the Company, including transmission box, torque converter, transfer case and related parts.

##### 4. New Products Planned for Development

- There are 17 items for transmission system including: Shaft Output , Shaft Main, Sleeve, Shaft Turbine, Carrier Planetary, Backplate Clutch, Hub Drive Drum, Hub, Ring Gear PGS3 Drum, Cylinder Welding, Cylinder DC, and Carrier PGS2 Welding Assy.
  - CH-HR-10X Inner Stator Race
  - E-bike Transfer Gear
  - 9 items for aerospace products
  - Including Pump Cover & Housing and other items

## (II) Industry Overview

### 1. Auto Making Sector



Note: 1. The classification is based on industrial production statistics

2. Other automobile parts, including main frame, body stamping parts, bumper, exhaust pipe, casting parts, supplement restraint system, seatbelt, and several others.

Data source: IEK, Industrial Technology Research Institute (2017/04)

### 2. Industry Overview and Development

#### (1)Auto Assembly and Manufacturing Sector:

Car sales and supply chain remained fluctuated during 2022 owing to several factors including Russia–Ukraine war and chip shortage coupled with inflation. Under the backdrop of coexisting with the Coronavirus, Industrial Technology Research Institute (ITRI) predicted global car sales would go down by 3.7%, still reaching 79 million units for 2022, and should reach to pre-pandemic volume in 2025.

In terms of individual market, China still took the lead, followed by the U.S.A. India surpassed Japan and became the number-three market with a possible annual sales growth of 20% after the relief of chip shortage in the second half of the year. As the chip shortage continued and car sales stumbled, due to stagnant component supplies after the pandemic, it was expected the annual sales in Japan would drop by 3.3% for the year.

#### (2) Auto Parts Manufacturers Sector:

There are for major auto component distribution channels. They are:

1. OEM market (Original Equipment Manufacturing): Auto-branded parts made and shipped by others to the system service providers or vehicle assemblers. 2. ODM market (Original Design Manufacturing): Auto-branded parts designed, made and shipped by others for system service providers or vehicle assemblers. 3. AM market (After Market):

Non-auto-branded parts used in after-sales services. 4. OES market (Original Equipment Service): Auto-branded parts used in after-sales services.

To cope with market needs, the global supply chain for auto component industry has formed the following trends:

- Scaling-up industry players: To compete, the industrial suppliers have been merging, acquiring or cooperating to increase economies of scale.
- Professional production: To shorten new car developments with quality(Q), cost and delivery (D) assurance, component makers can no longer just provide parts, based on designs, for assembly lines, but are required to involve deeper with the overall industry chain, starting from R&D, distribution and after service to increase the professional level.
- International production and operation: To follow the car assemblers' footsteps, component makers are crossing borders and expanding business scope. Some are to support car makers' overseas plants; others are to aim for new markets or low-cost advantage from local production. Therefore, a trend of international production and operation is forming.
- Complicating supplier relationship: In the past, component supplier and car assemblers had a rather strong and unbreakable relationship. Following the intensifying competition in auto market, branded owners have been not only requesting price reduction each year but replacing existing suppliers with new ones offering favorable price through the purchase platform.

Auto components made in Taiwan are mostly for export purposes. Parts makers are competitive globally for their small-volume and large-variety production and mostly ship to U.S.A.

During the pandemic, people drove considerably less and withheld big spending; therefore, new car sales dropped tremendously. However, needs from maintenance and repair remained solid during the period. In general, the demand for ODM and OEM parts came from new cars, while the demand for AM parts was from worn part impairments. Therefore, compared with new car sales, impacts from the pandemic on the AM market were relatively small. The continued decline in new car sales was, in fact, advantageous for the AM market in the short term.

According to the ITRI Industrial Economics and Knowledge Center, with car ownership in the major countries in Europe and America, and Japan continue to increase, post-pandemic pickups from emerging markets such as mainland China, India, Mexico, and ASEAN countries experience growing demand, along with the policies to push new-energy vehicles, it is estimated that the global sales value of car components would record 1.6 trillion US dollars in 2022, a growth of 6.3% from 2021. The demand for key components for electrification shall also see significant growth for the same period.

The component industry shall also experience growth and reach a production value of NT\$ 210.2 billion in 2022, 3.6% increase. As the chip shortage continued affecting new car ownership, the growth mainly came from the used-car driven sales, which helped level the overall car sales quantity and spurred the component export momentum, especially for components for electrical vehicles.

### **Top-Three Trends for Industrial Revolution**

There will be three major development trends in the car components industry for the post-pandemic era, according to ITRI Industrial Economics and Knowledge Center: First is changes to the value chain, which will reshape the supply chain. The long ruled

principle of globalized supply chain is under the challenge. In the future, regionalization and localization of the supply chain will be the focus. Technology advancement will accelerate automatic and intellectual production and shift from labor-intensive to technology-intensive, and shorten the production chain.

Second is capacity preservation to meet markets with different volume needs. In the future, car component needs in developed countries will move toward customization and high value-added, while for emerging countries, due to the growth of car ownership, large-scale and affordable components will be the market mainstream.

Due to smartification, components will be more value-added oriented. In the future, vehicles will be driven by “CASE,” Connected, Autonomous, Shared&Service and Electrification to cope with the mobility revolution for the new generation.

From ITRI, the three issues circling the car component industry:

The first one is energy-saving and carbon reduction, which drives the development of electric components. Important parts include driving motors, driving controllers, power batteries, and charging station.

The second is optimizing smart manufacturing to increase value added. For example, saving time and cost for mold making with 3D printing technology.

The third is penetrating niche market and expanding southbound for new opportunities. Taiwanese car components are mostly shipped to America and Europe. To diversify the market base and circumvent trade risks, it is recommended to tap into emerging economies, such as India and ASEAN countries.

### (3) Changes of market and economy landscapes:

Driven by three major forces, global warming, carbon emission goals, and policy push, electric vehicles are one of the necessary strategies for car brands to meet the global trends in the future. ITRI Industrial Economics and Knowledge Center estimated sales of electric vehicles grew by 30% in 2022 and could reach 150 million units, with buyers mostly came from China, U.S.A. and Japan. Of all the electric cars sold, the number of battery electric vehicles (BEVs), with the zero carbon emission feature and accounting for 52.1% of total electric vehicle sales in 2022, has surpassed hybrid electric vehicles (HEVs) for the first time and is expected to grow. In addition, the production technology and economies of scale of fuel cell vehicles (FCEVs) are expected to gradually take shape before 2026, under the rapid growing potential of the net-zero trend.

Owing to the recent shifts in the global trades and geopolitics, especially under the impacts of the US–China trade war, Covid-19, and the Russia–Ukraine conflict, the aim of supply chain has changed from cost reduction to risk mitigation along with shortening the supply chains or localizing production. The demand end is also experiencing change from scaled and standardizing productions to small-volume and customized production. In other words, the global supply chain is undergoing destruction and reconstruction, as national security and assured industry supply chain are the top priorities when making purchase decisions. Under such a new model, establishing a complete supply network with scale in locations adjacent to the product outlets becomes the mainstream expansion plan for corporates.

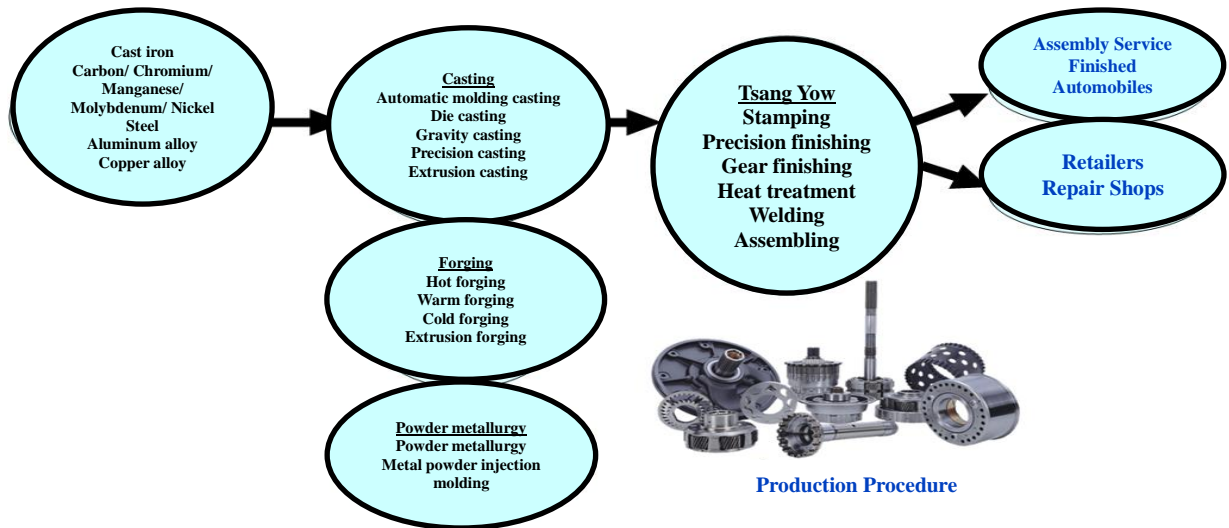
### 3. Up-, Mid- and Downstream Supply Chain

Tsang Yow mainly produces transmission parts, which involve materials from raw steel, aluminum ingot, and stainless steel; and processing procedures covering smelting, forging, casting, powder metallurgy, gear forming, precision stamping, machine processing, heat treatment, laser welding, assembling, functional testing, etc. Key gorging and casting suppliers include Jiashan Guande, Sunforging, CMS, Metal Power and others. Relations to up-, mid-, and downstream suppliers are as follows:

**Upstream**

**Midstream**

**Downstream**



Data Source: Tsang Yow

#### 4. Market Trend and Competitions

##### 4.1 Car Parts Market and Future Technology Trend

###### (1) Electrical vehicle and energy conservation technology

Under the trend of energy conservation and carbon reduction, the global sales volume of electric passenger vehicles is better than the overall car market. Electric vehicles have become one of the hottest topics in recent years and also become an indispensable strategy for all car makers. Driven by the advocate policies, it is estimated that by 2025, the number of small passenger cars equipped with electrified power systems worldwide will reach between 25 to 30 million. The number of new power vehicles, such as battery electric, plug-in hybrid, and others are expected to grow by an average of 34% by 2025. In the meantime, the number of cars using conventional internal combustion engines and engine power systems with idle stop/start technology will decrease visibly. To cope with the trend, several industry players are reorganizing product lines and corporate structures. The growth and expansion of electric power system-related manufacturers could also accelerate mergers and acquisitions among component suppliers and boost investments from non-traditional players, or force traditional suppliers to undergo strategic reengineering to stay profitable. Also, the operation suspension from Chinese suppliers during the pandemic has also pushed related industry players to make adjustments to diversify production risks. While responding to such short-term impacts, industry players might also accelerate their footsteps towards electric vehicles.

To cope with the future mobility trend, an increasing number of traditional car makers are forming strategic alliances to speed up the existing R&D efforts or to upgrade production technology for current lineups in order to deal with the resources, such as funding and time, needed. Different from traditional auto industry, electric car making is similar to smart phone production, which requires production division based on specialization and creates additional opportunities for players in autotronics, information communication and car components. Therefore, players capable of integrating user experiences might become a critical competitive advantage in the future electric vehicle market. For the Internet of Things (IoT) and data analytics software used in electric vehicles, logistics operators' decision-making capabilities will be greatly improved through the smartification of electric vehicles. The global market value of smart fleet management is expected to reach US\$537.53 billion in 2025.

###### (2) Various technologies for advanced driver assistance systems (ADAS) related to safety concerns are under the development

ADAS refers to vehicle onboard systems that link sensors and algorithms to provide drivers the necessary information during the ride. They assist, complement, or automate

difficult or repetitive driving tasks, aiming to improve the safety and driving efficiency. ADAS includes: Automatic Emergency Braking System (AEB), Blind Spot Detection System (BDS, BSD, or BLIS), Adaptive Cruise Control (ACC), Parking Assistance System (PA, PAS), Lane Keeping System (LKS), Forward Collision Warning (FCW), Night Vision System (NV), and others.

There will be more product and technology developments focusing on preventive safety and collision safety from the automotive industry. From the angle of preventive safety, ADAS is seen, by the brand owners, the fundamental catalyst for developing self-driving car in the future. Only OEM car manufacturers with ADAS systems can be rewarded with five-star rating. For collision safety, the emphasis is placed on strengthening the structure of the vehicle, such as body structures that can ensure safety during collision and prevent the roof from damage in the event of a rollover.

(3) Develop lightweight automobiles for cost control and the regulatory targets in fuel economy

Lightweight automobiles are designs that, under the premise of strength and safety guarantee, cut down weights of car parts as much as possible for power improvement, fuel saving and pollution reduction.

Based on the relevant data, weight of the car takes up about 70% of the fuel consumption. Every 10% reduction in car weight will lead to 3.3% cut in fuel and gas emission, while 15% fuel saving for 15% weight reduction. For diesel cars, the fuel saving will be 3.9% and 5.9%, respectively. In the case of electric vehicles, (including hybrid models), electricity saving even reached 6.3% and 9.5%, respectively for 10% and 15% weight cuts. As a result, lightweight vehicles are seen an important path leading to energy saving and carbon reduction by the major industrial players.

Car making is a system engineering of complexity which commands for the highest standards in collision safety, manipulation stability, riding comfort, fatigue endurance, environment protection and energy saving. While adopting new material, techniques and design for lightweight production, it is quite challenging for the current technologies to reach or surpass the existing features and functionalities. New material, better structure design and advanced production craftsmanship are the three crucial factors for lightweight automotive making and complementary to each other. Among those, new material application (such as high-strength steel, aluminum/ magnesium/ titanium alloys, and carbon fiber composite materials) shall affect car parts industry the greatest, which will bring numerous opportunities.

(4) The trend of module sharing among the component industry.

- A. It has become a trend for OEM system manufacturer or Tier-1 component makers, using global platform as a basis, to adopt sharing modules. The greatest advantage lies on “cost reduction,” as it can increase purchase and production scale and reduce development cycles. The ultimate goal is creating a flexible production platform that allows competitive products and low cost for various car models.
- B. There are two kinds of module sharing: Inherit sharing (among different generations from the same car model) and cross sharing (among different car models). If module sharing can be extended to new-energy vehicles (such as electric cars), the involvement levels from OEM system manufacturer or Tier-1 component makers shall vary greatly. And component suppliers will definitely occupy a larger portion visibly in key components for R&D and production stage. For OEM system manufacturers, they will pay more attention on core technology R&D, as well as selling and marketing.
- C. However, module sharing creates various risks, including uneven accessibility to the materials, weakened flexibility for diverse needs and possible recalls incurred by defective quality due to mass-produced parts.

(5) The era of innovated vehicle-sharing model through the brand-new smart economy

Smart car services taking into account of both environmental protection and safety have become a recent focus of industry development. With the assistance of 5G, IOT and other vehicle networking features, real-time data analysis can help to create safety protection and achieve the purpose of performance improvement and cost reduction. According to the report from Deloitte, blockchain technology is an important key for building a smart life. Through linking the same standards, storing and sharing data from vehicle network, the real-time data sent to self-driving software will bring about the goal of safe and smart driving. (Lv4–Lv5) In addition, owing to the convenience and timeliness brought by the increase in urban population and prevalence of 5G and smart phone, it is expected that vehicle-sharing market will continue to grow. Moreover, real-time data sharing can also facilitate the efficiency and safety when drivers picking up cars, checking for real-time available vehicles, and managing vehicle usages.

## 4.2 Global Transmission Market

### (1) Continuous technology and efficiency improvements for automatic transmission

Technology developments in AT, CVT, and DCT all move towards reducing energy transmission loss for better efficiency.

- A. Multi-gear AT, ranging from four to nine gears, even ten gear positions. Higher gear positions can mitigate shift impacts, cut down fuel consumption, and therefore, are widely seen in high-end car models. Through technology progress and scale of economy, multi-gear ATs will become more common, moving from luxury models to mid-to-high models.
- B. Continuous stability improvement for DCT. DCT, with high transmission efficiency and low fuel consumption, has been picking up rapidly recently for its various advantages like fast gear shifting and favorable fuel economy. However, overheating and wear-tear maintenance remain problematic and require continuous improvement from the car maker and transmission suppliers.
- C. Increase torque capacity for CVT CVT comes in smooth driving and fuel saving but fair torque capacity. It functions better in mid-to-compact cars and is applied widely in Japan. The future development lies in torque capacity improvement to broaden applications and increase penetration in mid-to-compact market. For the advantages stated above, CVT is quite fit for small family cars. With extending torque range, the applicability shall get broader, and it is expected to be widely used in mid-to-compact passenger cars in the future.

### (2) All types of automatic transmission will continue to exist for the distinctive features

Observed through recent technology trends and application scopes, new multi-gear ATs have accounted for a greater market share with continuous expansion, due to higher requirements for performance and stability from high-end passenger car market. For mid-to-low end market, it has been divided by CVT, DCT, and AT due to balance between costs and performance weighted by vehicle assemblers. In terms of the number of brand adoption, AT remains the mainstream, especially in North America where it commands an absolute dominant position. DC has an edge in the European market and is picking up rapidly in China. For CVT, it is mostly used in Japanese brands and independent brands. In the general trend, each automatic gearbox has its distinctive advantages which shall form a co-existed market shared by all types.

### (3) The rise of new-energy vehicles will change the importance and development of gearboxes

- A. Most of the current hybrid models are equipped with E-CVT continuously variable transmission, which does not have gears, but can indeed change driving speed. E-CVT is not to alter the engine speed, but to couple the power sources from the engine and the electric motor. Its physical and functional attributes are completely different from those of a conventional CVT.

Fuel economy is the major appeal for this type of vehicles, not the performance

results. It is the electric motor powering the car, and the engine is often used as a reserved power for battery charging. There is no need for a transmission that specializes in the relationship between speed and torque.

- B. As for battery electric vehicles, the electric motor is much simpler than the internal combustion engine of a conventional car. The input power variation (equal to the fuel supply of the internal combustion engine) can fully meet the speed control needs of a car without a clutch or transmission for coordinate. An electric car is capable of functioning normally without the presence of a gearbox. When there is a gearbox, the ratio of motor speed to car speed can be adjusted to allow better motor efficiency at a given speed. However, transmission design is currently eliminated by the electric vehicle manufacturers due to the lack of technology needed. In order to reach a similar power performance after the elimination, car makers add the motor power and battery capacity of greater output, which have increased the cost and weight. It is estimated that the electric vehicle transmission can bring 5% energy saving at least. In the future, electric vehicles will mainly adopt transmission gearboxes of two to three speeds to improve the cruising mileage. And the demand of high speed from high power motors will help push the precision and strength of gears to increase significantly.
- C. With the advancing sales growth each year, new-energy vehicles are propelling the demand of high-precision gears for high-power motors. The number of gears needed for these vehicles is smaller than that for traditional vehicle gearboxes. The price of a single gear is, however, much higher than that of traditional ones, which enhances the value of the gearbox, instead. In light of comfort requirements and expanding share of new-energy vehicles, the high-precision gear is with great prospect. However the R&D for the gear will demand more funding from system or component manufacturers, which will result in higher costs and affect profitability. Therefore, outsourcing to professional makers to concentrate on core technologies seems the only solution. Still the pursue of gear precision and strength will intensify competition in the industry and oust small gear players. Eventually the production capacity will gradually be consolidated and in the hands of leading gear makers that are able to operate globally.

**(III) Technology and R&D Overview:**

1. R&D expenses paid during the most recent year up to the printing date of the annual report

Unit: NT\$ thousands

Item	Year	2022
	R&D Expenses	60,579

2. Technologies or products developed during the recent year up to the printing date of the Annual Report

Year	R&D Results

2022	<p>■ Products:</p> <ul style="list-style-type: none"> <li>• Successfully developed 68RFE Reaction Sun gear / Hub</li> <li>• Successfully developed a planet carrier for electric vehicles</li> <li>• Successfully developed E-bike P1, P2, P3, P4 gear</li> <li>• Successfully developed Ring gear, a part for the industrial machinery</li> <li>• Successfully developed Cover, a the truck part</li> <li>• Successfully developed Space ball, a marine outboard engine part</li> <li>• Successfully developed 2 items including Oil pump Cover</li> <li>• Successfully developed TVDC_Drum &amp; Shaft</li> <li>• Successfully developed 6R140 Stator Cap, Turbine-Side</li> <li>• Successfully developed 4R55E, 5R55E Late, A4LD Bearing Adapter</li> <li>• Successfully developed 8DCL900_Hinge Flange Assy (another version)</li> <li>• Successfully developed 8DCL900_Pump sprocket &amp; Gear chain drive</li> </ul> <p>■ Technology:</p> <p>Introduced dual drive OD grinding equipment Improved the quality with special jaws Research and test on ring gear machining accuracy technology</p>
As of March 31, 2023	<p>■ Products:</p> <ul style="list-style-type: none"> <li>• Successfully developed ZF 8HP70_Clutch Drum, D4 Drive Shell</li> <li>• Successful development of industrial machinery component, Eccentric shaft</li> <li>• ZF 8HP70_Clutch Drum, D4 Drive Shell are under development</li> <li>• 6L80_Oil Pump assy is under development</li> <li>• Oil Pump Housing &amp; Stator Shaft are under development</li> <li>• The Industrial machinery component, Eccentric shaft is under development</li> <li>• 2 automotive Drive Shafts including output shaft are under development</li> </ul>

#### (IV) Short- and Long-Term Development Planning:

##### (1) AM Business

###### ① Short Term

- A. Develop economy-of-scale production and logistic service to avail shipping warehouse of timely delivery to strengthen the capability of fast supply and real-time service.
- B. Improve equipment and production efficiency and bring up R&D and technology capabilities to obtain competitive cores and circumvent price wars for greater profitability.

###### ② Mid-to-long Term

- A. Provide unique and various products and services, such as quality and price variances, based on business nature of customers, such as distributors, retailers and rebuilders. Apply the flexible and real-time production to become one of the best suppliers in the global automobile industry.
- B. Using core technologies and modularized molds from the Group to develop product categories of complex structures and high technology levels. Upgrade technologies and organization to international standards to complete and lead globally.
- C. Take initiatives to develop transmission parts of high prices and strong demands. Adopt smart production that moves towards smartification, lightweight, modulization and electric, as the Group's critical edge.
- D. Tap into the aerospace technology industry, through the advantage of smart production to reach the best craftsmanship and quality, and strategic thinking to revitalize the

Group's development while moving towards a new era of globalization.

(2)OEM Business

① Short Term

- A. Consolidate internal and external group resources to strengthen links between the current product lineup to the application markets for maximizing resource efficiency and achieving the economy of scale in order to compete internationally.
- B. Continuous new account acquisition to push greater group sales. Such as: (a) Create stronger bonding with current customers to extend the relationships to their affiliates. (b) Penetrate into competitors of the current customers for greater development efficiencies and possibilities for combined-order production.
- C. Establish warehousing service near customer locations to increase service value with timely shipments.

② Mid-to-long Term

- A. Co-work with customers according to their business nature, such as branded customers and system assemblers (Tier 1 or 2). Continue to cultivate talent pools specialized in OEM product developments and production planning to enhance customer trust and obtain co-development projects in early designing stages.
- B. Grasp energy-conservation product designs and lifecycles to grow the related technologies, in order to offer competitive products.
- C. Phase in specialized equipment and develop function testing technologies to win orders of high-end products (such as: boutique component parts) for broader product range and higher competition bar.

(2)OES Business

Leverage development experiences and accumulated technologies from AM to win orders from OES for greater sales volume.

## II. Market, Production and Sales

### (I) Market Analysis

1. Market analysis

(1) Sales Region of Core Products

Unit: NT\$ thousands

Region \ Year		2021		2022	
		Amount	%	Amount	%
Domestic Sales		597,651	32.73	384,920	21.49
International Sales	America	829,544	45.43	1,006,531	56.2
	Europe	267,783	14.67	299,307	16.71
	Asia	130,829	7.17	100,185	5.6
	Others	-	-	-	-
Total		1,825,807	100.00	1,790,943	100.00

Note: Domestic sales include sales in Taiwan and domestic sales in Mainland China by the subsidiaries.

(2)Market Share

Auto component makers in Taiwan are competitive for their small-volume and large-variety production. The industry is competitive globally after years of R&D inputs for technology improvements.

As the chip shortage persisted and affected new car ownership in 2022, sales of used cars accelerated during the year and help to level the overall vehicle sales units and boost the component inventory level. The component industry continued its growing momentum for the year and reached a production value of NT\$ 210.2 billion, 3.6% increase for the year. The Company mainly produces key component parts for vehicle transmission system, including transmission gearboxes, torque converters, afterburners, steering system, among

many others. Among all products, gearbox parts occupies more than 80% sales, and other sales are also derived from gearbox-related products. Our production value accounts for 6.42% of the total suspension and transmission sector, a subcategory of auto component industry.

(3) Future market supply & demand and growth

We expect a rebound from automobile market in 2023 due to shipments for backlog orders after relieving chip shortage and resuming car making. However as recession looms, sales growth shall move up merely by 3.7%, for a volume of 84.2 million unit. The figure might not climb back to pre-pandemic level until 2025.

According to Wall Street Journal, all major industry players are striving building an extensive supplying chain to avoid the repeat of component shortages since the breakouts of pandemic, port congestion and Russia-Ukraine war. The global supplying is under the process of reshaping. Auto makers previously heavily relying on China are looking for another new production base. Other than America and Europe's building of semiconductor industries, all major car brands are leaving Chinese component suppliers and shifting orders, which might be a window of opportunities for Taiwanese component suppliers.

(4) Competitive Niche

① Flexible production and completed After-Market product lines

The Company started mainly as a torque-converter component producer. With years of R&D efforts in truck clutches and auto transmission gearboxes, the business model changed from processing service supplier in the early years to oil hydraulic pump finishing, which is high value added. Later, Planet, the first gearbox component set, was delivered successfully and followed by the development project for Chrysler and the cooperation with Metal Industries Research and Development Centre for introducing electric welding technology. Several development projects were rewarded from major car brands, including GM for its electric vehicle transmission and 6-speed transmission after more than 30 years of experience and technologies accumulated in the field of automatic transmission. The system is a key component part in automobile which requires precise molding procedure and electric welding technology through years of experience accumulation to meet the requirements, such as quality and high-precision pores, from the customers. Other than the mass production technologies and professional knowledge obtained through long-term customer projects from global satellite factories, the Company is holding the entire AM product lines in its hands to further enhance the economy of scale production by applying the mold fixtures and equipment. With the reputation and strong image in auto transmission gearboxes, the Company has obtained further momentum for revenue and profitability growth.

② Ability to consolidate advantageous precision processing technologies to shorten development time of new products.

As a well-established component maker for gearboxes, the Company has been supplying to satellite plants (Tier1-Tier3) under major American and European car brands on a long-term basis. From early torque-converter components to current gearboxes and planetary gear sets, the Company has been growing along with the customers' expansion through its long, strong bonding relationship. Our customer base include both domestic and international major car brands, such as GM and Ford from the U.S.A., Chery from China, and China Engine, a subsidiary under Yulon Motor Group, and Delta Electronics from Taiwan. We are working together with Delta Electronics for the development of key parts for electric vehicles, which indicates our position in vehicle supply chain. To leverage the high efficiency from the industry-cluster model, the Company has been long outsourcing production to its subcontractors after careful selection and evaluation for their production capabilities and technologies. Plus the molding know-how, together with our vendors, the Company is able to shorten the time needed for product developments and commercialization for the customers, which is also a vital competition edge.

③ Proven product quality through various certifications for further customer trust  
Quality certifications received by the Company include ISO 9002 in 1999 and QS 9000 in 2000 and ISO/TS 16949 in 2004, both globally recognized quality management standard for the automotive industry. The latter one has successfully upgraded to IATF 16949 version in 2018. Starting from designs, development, production, quantity inspection and selling, each stage for bringing out a product, is regulated by related system and operation regulation to ensure customer assurance and actual orders. As transmission component parts play an important role for gearbox performance, determining driving comfort and operation, the quality requirement is rather stringent. As a result, quality accreditation is a key factor to compete in automobile industry. Other than receiving certification through various quality assurance agencies, the Company also strives to upgrade production technologies and invests in equipment for automatic production and inspection in order to cut down faults from human factors and control production quality. Other than the difficulty to obtain quality certification, the Company's long and stable relations with global major brands have established a strong quality image, which continuously attracts new customers for business expansion.

④ High entry barrier

To enter the mainstream market for gearbox component parts, including torque converters, planetary gear sets, clutch hubs, hydraulic pumps, etc., various and complex technologies for metal processing and mass financial resources are required, which become natural barriers for average mid to small players. The Company has well-established production lines covering mold development, casting, forging, and hot treatments with several automatic inspection lines to join later on, which are not easy to compete with if not a big industry player. To match up, it will require vast resources including capital and production experience. In addition, each component co-developing with satellite factories takes two to three years to bring about for the time needed for design, product certification and factory testing. Due to the long and stringent procedures above, the business relations tend to stay long and do not change easily to ensure timely and complete supplies, which is another tough barrier for new players.

(5) Positive and negative factors for future development, and the company's response to such factors

① Positive Factors

1. Through years of efforts, Wuxi Tsang Yow Auto Parts Co., our subsidiary, is a major player for automobile component in the vast China automobile market and the best step stone to further expand globally.
2. Recently, the Company has diversified from the fields of AT, CVT and DC to hybrid and battery electric vehicles, from the fields of AT, CVT and DC in order to extend product and business ranges.
3. The introduction of full multi-station transfer and automatic transfer of large stamping equipment will meet the demand of large stamping capacity from OEM customers with competitive prices.
4. After years of experience in stamping and laser welding and the ability to develop stamping molds, an absolute advantage in sheet forming for lightweight is established.
5. With the completion of gear processing technologies and advanced machinery along with laser welding and stamping work, the Company is more than ready to join the electric vehicle market and become a key player.
6. The capability to design fixture can conquer the deformation risk during the procedures of product lightening.
7. Through years of AM development projects, a considerable amount of technologies of precision process and reverse engineering have been accumulated, which will

help to grasp AM developments in the future on the base of working relations with OEM service providers.

8. On top of years of experience from IATF 16949 quality system along with TPM and TPS, more trust will be gained from OEM customers for continuous opportunities through the solid operation system.

② Negative Factors

1. Due to slow-down global automobile market, cost reduction is the means to profit for car brands to profit.

Pressures from slow demands, redundant capacity, huge transformation investment are forcing car makers and system makers to place cost reduction as the top priority, which will squeeze profit margins of the suppliers.

**Reactive Measures:**

- a. Solid manufacturing ability to eliminate unnecessary waste for further cost reduction.
  - b. Increase automation level to bring about smart manufacturing, thus cutting down human labor and defect costs and staying competitive.
  - c. Continue innovation and cross-field cooperation to add value to the core business and create shared economy.
  - d. Obtain AS9001 certification to tap into aerospace component market for risk diversification.
  - e. Explore new directions for product development for broader product lines to increase revenue momentum.
2. Climate change and resource shortage, increasing enterprise operation risks to the Company.

Power and resource shortage along with the battle between nuclear and new energies have caused price increase and fluctuation.

**Reactive Measures:**

- a. Strengthen supply chain relationship to secure supplies and lower possible impacts.
  - b. Adopt global purchase to increase supply sources.
  - c. Accelerate new energy introduction or adjust manufacturing models (obsoleting old-generation production procedures)
  - d. Develop new-energy products with full efforts to turn crisis into opportunities.
  - e. To cope with the global trend of carbon reduction, policies for carbon inventory checks and energy management along with relevant goals to support sustainable environment have been established.
3. Some special materials and production procedures are hard to obtained, which would affect order levels, due to insufficient group resource consolidation.

**Reactive Measures:**

- a. Increase the capability to access to special materials and production procedures, integrate group supply system via layered management (AM and OEM) and search matching supplying alternatives to secure pricing and sources.
  - b. Reengineer and adjust group resources according to the product portfolio. Products that are of low order volume and low added value will be eliminated or outsourced to maximized group interests.
  - c. Support subsidiary operation with resources from the parent company to cut down group operation costs and to enhance the overall resource efficiency.
4. Critical product functional testing and measurement technologies are not yet to meet the requirements to become a system component developer. Insufficient talents in the product integration and manufacturing management affects product evaluation capability and development timeline.

**Reactive Measures:**

- a. Develop products based on the market trends to accumulate further technology

momentum.

- b. Acquire special facilities for bottleneck technologies and improve self-production capability with the core technologies.
- c. Co-work with equipment vendors to jointly develop automated processing and online automatic inspection machinery to improve production efficiency and quality and reduce labor costs.
- d. Introduce technologies and talents, through the cooperation of industry, government, and academia, for gear design, precision finishing, functional testing, and mold tooling design to enhance the overall manufacturing capability.
- e. Acquire mold fixture processing equipment and cultivate processing personnel to enhance self-production capability for mold fixture.

**(II) Major Applications and Manufacturing Process of Core Products**

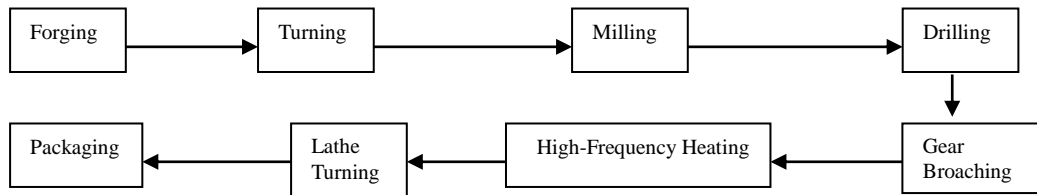
(1) Major Applications of Core Products

Key Products	Major Applications
Automatic Transmission Parts for Automobiles	Drivetrain and clutch devices in automatic transmission in automobiles
Torque Converter Parts	Automobile engine and liquid torque converter in automatic transmission
Clutch Parts	Clutch Parts for heavy-duty trucks

(2) Manufacturing Process

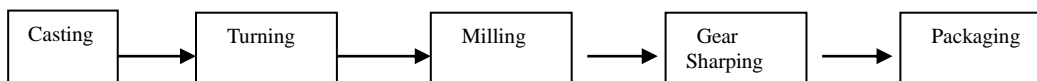
① Torque Converter Parts

From the example of Hub Turbine in Torque Converter:



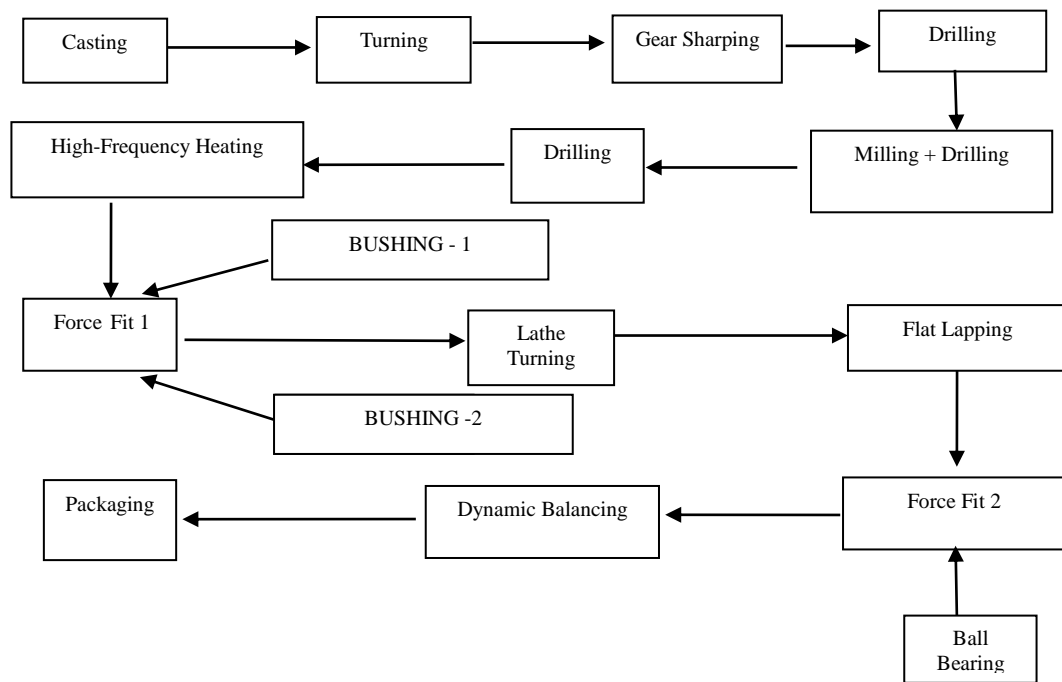
② Clutch Parts

From the example of ADJUSTING RING of Clutch:



③ Automatic Transmission Parts

From the example of 4L80E DRUM of Auto Transmission:



(III) Supply of Key Raw Materials

Key Materials	Key Suppliers	Status
Castings	CMS, Metal Power Hang Te from Hubei, Chin Mei Ta from Suzhou and Yah Sin	Good
Forgings	Changzhou Yu Yin, Jiashan Guande, Sun Forging, Jin Shiang, and Chung Chien	Good
Plates	Hsieh I, Cheng Jun from Suzhou, Lung Shêng and I Hsing	Good
Bars	Jui Cheng and Hsin Chi	Good

**(IV) List of Suppliers (Customers) that Have Accounted for At Least 10% of Purchase (Sales) in One of the Past Two Years and Reasons for Changes:**

1. List of Suppliers that Have Accounted for At Least 10% of Purchase in One of the Past Two Years, the Amounts and Percentages of the Purchase and Reasons for Changes: Unit: NT\$ thousands; %

Item	2021				2022			
	Title	Amount	As a percentage of the net purchase in the year (%)	Relation with the Company	Title	Amount	As a percentage of the net purchase in the year (%)	Relation with the Company
1	Changzhou Yu Yin	103,725	11.94	-	Changzhou Yu Yin	74,600	9.79	-
2	Jiashan Guande	75,090	8.64	-	Jiashan Guande	64,735	8.50	-
3	Other	689,919	79.42	-	Others	621,386	81.71	-
	Total Net Purchase	868,734	100.00		Total Net Purchase	760,721	100.00	

Note 1: Supplier names and transaction amount and the associated percentage that accounted for 20% purchase in the past two years. Codes can be used for suppliers who cannot be disclosed due to contract terms or who are individuals and not related parties.

Note 2: Financial data from listed or brokerage-traded companies that are reviewed or audited by the independent auditors shall be disclosed up to the printing date of the annual report.

Changes and reasons:

The Company uses forgings, castings, plates and rods as its main raw materials. In the fiscal year 2022, the amount of purchase from suppliers did not exceed 10% of the net purchase for the year. The decrease was mainly due to the decrease in raw materials purchased from Changzhou as a result of the epidemic control in China, but there was no significant change.

2. **List of Customers that Have Accounted for At Least 10% of Net Sales in One of the Past Two Years, the Amounts and Percentages of the Purchase and Reasons for Changes:** Unit: NT\$ thousands; %

Item	2021				2022			
	Title	Amount	As a percentage of the net sales in the year (%)	Relation with the Company	Title	Amount	As a percentage of the net sales in the year (%)	Relation with the Company
1	BW	344,290	19	-	VO	283,788	16	-
2	VO	300,707	16	-	BW	281,807	16	-

3	TS	202,491	11		TS	266,093	15	-
4	Other	978,319	54	-	Others	959,255	53	-
	Total Net Sales	1,825,807	100		Total Net Sales	1,790,943	100	

Note 1: Customer names and transaction amount and the associated percentage that accounted for 10% total sales in the past two years. Codes can be used for customers who cannot be disclosed due to contract terms or who are individuals and not related parties.

Note 2: Financial data from listed or brokerage-traded companies that are reviewed or audited by the independent auditors shall be disclosed up to the printing date of the annual report.

Changes and reasons:

The Company primarily engages in the processing, manufacturing and trading of automotive parts and components. The application scope covers automotive and machinery industries. Our customers include well-known domestic and foreign automobile manufacturers and major automobile repair shops. The sales regions are mainly in America, Europe and Asia. In 2022, the recovery of the sales in global auto market was impacted by the city lockdown in China, the Russia-Ukraine war, chip shortage and inflation, etc. Major customers were affected by the lockdown policy in China and the downturn in the economy, resulting in a decline in demand. Fortunately, the Group's revenue only showed a 2% decrease compared to the previous year thanks to strong replacement demand in the AM market.

**(V) Production Volume and Production Value in the Past Two Years**

Units: thousand units; NT\$ thousands

Year Production Volume and Production Value	2021			2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Core Products						
Automatic Transmission Parts for Automobiles	21,311	13,852	1,357,205	14,806	9,624	1,123,996
Clutch Parts for Heavy-duty Trucks	1,037	726	104,891	1,110	777	133,204
Drivetrain Parts for Industrial Machinery	546	342	92,319	316	198	61,558
Automatic Transmission Components for Air Conditioner Compressors	672	587	38,191	556	486	34,419
Automatic Transmission Components for Ships	13	11	8,730	19	16	14,642
Parts Finishing	27	19	14,050	23	16	11,407
Others	248	205	111,444	342	282	139,947
Total	23,854	15,742	1,726,830	17,172	11,399	1,519,173

Note 1: Production capacity is the total production from normal operation using current production facilities after factoring in the mandatory production suspension and national holidays.

Note 2: Capacity from substitute production facilities can be consolidated with additional notes.

**(VI) Sales Volume and Sales Value in the Past Two Years**

Units: thousand units; NT\$ thousands

Year Production Volume and Production Value	2021				2022			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Core Products								
Automatic Transmission Parts for Automobiles	5,373	531,207	4,409	884,721	3,174	321,250	3,561	1,011,648
Clutch Parts for Heavy-duty Trucks	-	-	319	114,637	-	-	791	166,591
Drivetrain Parts for Industrial Machinery	38	5,237	809	129,459	18	2,486	269	99,854

Automatic Transmission Components for Air Conditioner Compressors	486	35,196	-	-	546	40,983	-	-
Automatic Transmission Components for Ships	-	-	11	19,866	-	-	16	33,091
Parts Finishing	19	24,537	-	-	16	17,411	-	-
Others	63	1,474	124	79,473	20	2,790	106	94,839
Total	5,979	597,651	5,672	1,228,156	3,774	384,920	4,743	1,406,023

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

Unit: person

Year		2021	2022	February 28, 2023
Number of Employees	Direct	391	367	362
	Indirect	222	195	196
	Total	613	562	558
Average Age		39.9	40.9	40.2
Average Years of Service		9.4	10.4	9.6
Education %	Ph.D.	0 %	0 %	0%
	Master's	4.40%	4.45%	4.66%
	College	38.34%	36.65%	36.74%
	High School	36.87%	36.48%	36.92%
	Others	20.39%	22.42%	21.68%

#### IV. Expenditure for Environmental Protection:

List any losses by the Company in the most recent fiscal year and up to the printing date of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, disposition dates, reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions). Disclosure on an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation for the facts shall be provided:

(I) Total Losses and fines due to environmental pollution (Including damages) in the most recent year and up to the printing date of the annual report:

Passed the check from Chiayi Environmental Protection Bureau on March 02, 2010: Excessive inorganic sludge filing of 0.475 tons for more than 10% monthly limit (0.275 tons, according to the waste management plan) due to a clerical mistake. A ticket of NT\$6,000 fine was received.

(II) Countermeasures in the future (including improvement handling) and associated costs (including potential loss, fines and damages from the future countermeasures):

1. The followed-up improvement work for the affair above has completed. More supervisor review procedures will be carried out for the related filing and documentation management

to ensure environmental management and pollution prevention from the top to avoid such violation from repeating.

- 1.1 Change to the he waste management plan: The change to the waste management plan was successfully approved by the authority on March 10, 2010. Currently, the maximum amount of inorganic sludge allowed for filing is 0.99 tons, increased from 0.25 tons, to avoid insufficient allowance.
- 1.2 Any waste generated that is excessive or unbalanced quality, the handling clerk shall follow the guidelines below to avoid the penalty from overdue and inaction:
  - 1.2.1 Abnormal waste generated: Such filing can be processed in advanced or withing 10 days from the happening with the explanation notes to the governing agency, such as change of facilities, materials or annual repair and maintenance.
  - 1.2.2 Normal waste generated: Immediate application for changes to the he waste management plan if any discoveries of waste generated that is excessive or unbalanced quality.

## V. Labor Relationship:

### **(I) Employee Welfare Measures, Advanced Study, Training, Retirement System, and Its Implementation, as well as Labor-Employer Agreements and Various Employee Rights and the Implementation Status:**

#### ➤ Employee Welfare Measures:

Other than competitive salary, holiday and performance bonuses and profit sharing, various employee benefit system and measures are listed as below:

1. For “Employee Safety Protection,” measures listed below are carried out by the individual business units according to the relevant regulations:

- (1) Newly hired employees are entitled for labor insurance and national health insurance to receive associated protection.
- (2) Working uniform, including shoes and protection kits, are provided according to the job nature.
- (3) Provide employee health checkup and special operation check.
- (4) Establish employee safety office and occupational safety and health committee to carry out the related plans and operation.

2. For “Employee Life Improvement,” measures listed below are carried out by the individual business units according to the relevant regulations:

- (1) Set up employee dormitory for employees of distant locations.
- (2) Set up cafeteria with related equipment and workers to provide free employee lunch and over-time meals
- (3) Create, according to laws, the employee welfare benefit committee, where the Company appropriates certain percentages from the sales and other income every month for employee benefit purposes such as in-house social gatherings and other subsidies. Including, hospitalization care, wedding/funeral subsidy, birthday gifting, and allowances for holiday, company trips and club activities, as well as ad hoc employee group activities.
- (4) Various type of club activities are offered from the employee welfare benefit committee for leisure activities after work.
- (5) A employee app is created to consolidate information on all aid and welfare programs available, including newsletters from the Company and the employee welfare committee, social welfare resources, psychological counseling, retirement/wealth management/insurance information, health and healthcare information, occupation safety, and designated shops to create diversified choices of welfares and to strengthen internal information.

3. For “Improving Working Knowledge Level”:

- (1) The Company has established a complete training program, including professional skills, core competency, management skill training and related certification systems.

The HR Department has dedicated training staff, which follows Talent Quality-management System, TTQS, hosting various employee skill training and workshop from time to time.

(2) Set up employee reading room for access to newspaper and magazines.

(3) Provide health seminar to assist employee create proper and correct health concepts.

4. For “Stabilizing Employee Retirement Life”:

In accordance with the Labor Standard Act, the monthly retirement reserve 3.5% of employee monthly salary, is allocated and deposited in the Bank of Taiwan’s retirement pension account to prepare for employee’s retirement. Starting from July 1, 2005, those who chose the new pension system for receiving pensions, 6% of the employee’s monthly salary is appropriated monthly by the Company to the personal account at the Labor Insurance Bureau. Employees can opt to draw down pension monthly or by a lump-sum amount based on individual account for benefits accumulated.

➤ Labor and Employer Negotiations and Employee Rights Upholding:

1. The Company complies with related labor laws and respects international basic working rights to ensure legal rights of employees with undiscriminating treatments, as well as reinforcing each management measure and procedure.
2. The Company has established “Employee Complain Operation Details” with suggestion boxes places in each plant to assist employee communication.
3. The Company places high importance for two-way communication with employees. Other than regular employee meeting encouraging voluntarily counseling and cooperation, there are meetings from all levels to strengthen two-way talks on a timely basis in order to enhance harmony between labor and employer to achieve win-win for both sides.

**(II) List any losses by the Company in the most recent fiscal year and up to the printing date of the annual report due to labor disputes (including any violations of the Labor Standards Act during labor inspection, information including disposition dates, reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions). Disclosure on an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.**

## VI. Cyber Security Management:

### **(I) Cyber security risk management framework, and policies, with concrete management programs and resources investments for the operation:**

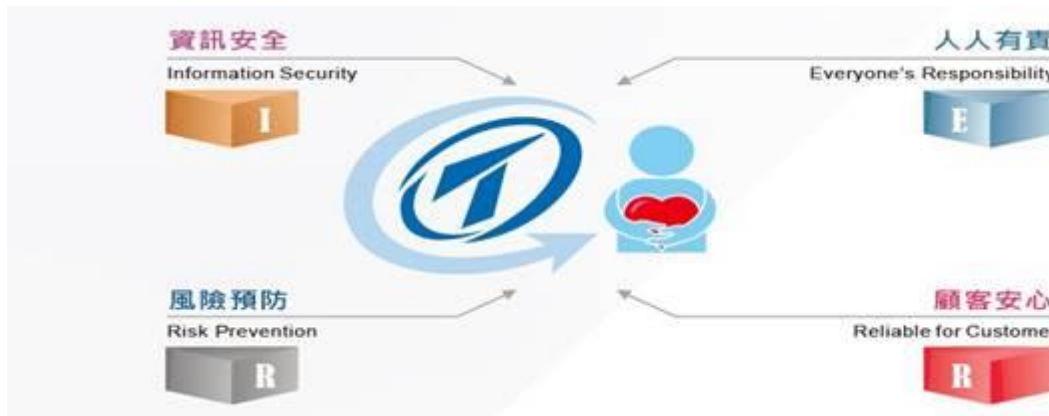
➤ **Cyber security risk management framework and management programs:**

1. The Company has set up the “Cyber Security Committee,” composed of top managers and hands-on members from the management program. Under the committee, there are committee chairman, taking up by the General Manager or the representative, who will administer cyber security operation, research (review) the related policies, counterstatement and management for results from the related risk identifications, and supervise cyber securing reporting (including results from internal and external audits and possible improvement) from the operation execution unit (The Management Department under the General Administration Division) for reducing the risks and increase the management. The committee meets regularly (at least once a year) and convenes ad hoc meetings (according to the business needs and occurrence of cyber security incidents).
2. Through formulating the cyber security policy, as the action-taken guideline for planning and executing cyber security management system, the entire employee body are able to comply accordingly; and there is a communication standard to communicate with interested parties.
3. Cyber security risk evaluation and identification are implemented regularly. For high-risk items, after identification, the associated management program is formulated for a pertinent management mechanism to prevent internal and external threats from all sorts for cutting down cyber security risks.

4. For material information system, a framework of high availability (HA) and reliance, data backup, backed-up facility in remote location, as well as emergency planning and the related drills for every six months, is created to ensure efficacy of the protection mechanism for system recovery purpose. In addition, a cyber security insurance has been purchased to shift the associated risks.
5. Based on operation involved, employees are given needed training and advocacy session to increase awareness and knowledge for cyber security from the entire employee body.

➤ **Cyber Security Policy:**

To ensure the confidentiality, integrity and availability from information assets, the Company has formulated a cyber security policy, which the entire employee body are required to follow, to establish the concept, “Cyber security, a responsibility of everyone,” and to receive related training for increasing the awareness of and knowledge about cyber security. In addition, risk evaluation and identification are implemented regularly in order to plan, carry out and review the associated operation guidance for continuously improving the management efficacy and conducting emergency recovery drills, so as to ensure the Company’s cyber security, to prevent information leaking, to meet the operation needs, and to assure customers’ trust.



➤ **Resources Investments for Cyber Security Operation:**

1. Annual plan and budgeting: A planned budget for cyber security management is made according to the unacceptable risks identified and submitted to “Cyber Security Committee” for approval and execution.
2. Staffing: a manager and a working crew.
3. Education training:
  - 3.1 Education training program is provided regularly to newly hired employee to allow the understanding about cyber security policy and related requirements.
  - 3.2 2022 data security test to the employees was implemented. For those who failed, extra lectures have been provided to increase awareness and to cut down risks of scam emails and data leaking.
  - 3.3 Ad hoc advocacy, based on current affairs, for data security have been provided to enhance employees’ data safety awareness.
4. Emergency response exercises:
  - 4.1 In response to the escalation of the Covid-19 pandemic and the need for employees to work from home, emergency response exercises and stress tests were conducted to simulate the home-working mechanism and to verify the capacity of the Company’s network and information systems for the situation.
  - 4.2 Ransomware emergency reaction exercises: Mainly for the immediate reactions taken to stop the virus from spreading and to swiftly recover the server and network operations when there are data security events.
  - 4.3 Server backup recovery exercises: Mainly for the purposes for the shorting the recovery time when the information systems function abnormally and for the assurance of the validity, availability and correctness of recovered data.

5. Upgrade data information facilities and software: Phase out old hardware systems and data security systems for the prevention of virus, hiking and invasion to ensure effective operation of data security system.

**(II) The Losses by the Company Due to Major Cyber Security Incidents in the Most Recent Year and Up to the Printing Date of the Annual Report, Including the Possible Impacts, and the Countermeasures: None.**

**VII. Important Contracts**

Contract Type	Counter Party	Term Date	Summary	Restrictive Clause
Loan Agreement	First Commercial Bank	November 19, 2018 - November 19, 2025	Secured mid-term loan of NT\$230 million, non-revolving	Collateral: real estate of Zhongshan Plant
		September 27, 2021 - September 27, 2024	Mid-term loan of NT\$140 million, revolving	
		January 22, 2020 - January 22, 2024 (Note)	Secured mid-term loan of NT\$74 million, non-revolving	
	Mega International Commercial Bank	November 19, 2018 - November 19, 2028	Type A secured mid-term loan of NT\$150 million, non-revolving	Collateral: real estate of Zhongshan Plant 2
		November 11, 2021 - November 11, 2026	Type B mid-term loan of NT\$100 million, revolving	
	E.SUN Commercial Bank	October 04, 2018 - November 19, 2033	Secured long-term loan of NT\$105 million, non-revolving	Collateral: real estate of Chenggong Plant
		October 04, 2018 - October 04, 2021	Mid-term loan of NT\$110 million, non-revolving	Collateral: not secured
		October 04, 2022 - April 04, 2024	Mid-term loan of NT\$45 million, non-revolving	Collateral: not secured
	Shanghai Commercial Savings Bank and	March 30, 2018 March 30, 2028	Secured long-term loan of NT\$190 million, non-revolving	Collateral: real estate of Zhongshan Plant 3
		December 30, 2019 - October 15, 2024	Secured mid-term loan of NT\$50 million, non-revolving	Collateral: real estate of Zhongshan Plant 3
		August 17, 2022 - August 17, 2027	Secured mid-term loan of NT\$60 million, non-revolving	Collateral: real estate of Zhongshan Plant 3
	Taipei Fubon Bank	June 24, 2020 - June 24, 2023	Mid-term loan of NT\$60 million, non-revolving	Collateral: not secured
	Chang Hwa Bank	-	Mid-term loan of NT\$50 million, revolving	Collateral: not secured

Note: Paid off early on December 16, 2022

## Chapter Six. Financial Highlights

### I. Financial Summary in the Past Five Years (Accounting Section)

#### (I) Balance Sheet from the Past Five Years

##### 1. Condensed Balance Sheet - International Accounting Standards (Consolidated )

Unit: NT\$ thousands

Item	Year	Financial Information from the Past 5 Years (Note1)				
		2018	2019	2020	2021	2022
Current Assets		1,747,094	1,540,641	1,489,533	1,664,247	1,479,269
Property, Plant and Equipment(Note 2)		1,590,750	1,648,388	1,528,950	1,448,323	1,350,037
Intangible Assets		6,273	15,143	12,411	14,429	9,839
Other Assets (Note 2)		187,167	19,316	29,921	8,438	4,369
Total Assets		3,572,231	3,299,649	3,146,395	3,214,552	2,923,951
Current Liabilities	Before Distribution	990,745	885,626	920,243	929,403	777,810
	After Distribution	1,057,391	936,892	950,781	960,107	890,391
Non-Current Liabilities		987,847	878,287	746,199	796,312	507,794
Total Liabilities	Before Distribution	1,978,592	1,763,913	1,666,442	1,725,715	1,285,604
	After Distribution	2,045,238	1,815,179	1,696,980	1,756,419	1,398,185
Equity Attributable to Shareholders of Parent Company		1,593,639	1,535,736	1,479,953	1,488,837	1,638,347
Share Capital		1,030,865	1,030,865	1,030,865	1,030,865	1,030,865
Capital Surplus		145,471	145,471	145,471	150,532	150,532
Retained Earnings	Before Distribution	453,973	412,123	366,430	363,274	500,023
	After Distribution	387,327	360,857	335,892	332,570	387,442
Other Rights and Interests		(27,793)	(42,026)	(40,336)	(44,054)	(11,780)
Treasury Shares		(8,877)	(10,697)	(22,477)	(11,780)	(11,780)
Non-Controlling Interests		--	--	--	--	--
Total Equity	Before Distribution	1,593,639	1,535,736	1,479,953	1,488,837	1,638,347
	After Distribution	1,526,993	1,484,470	1,449,415	1,458,133	1,525,766

\*Unconsolidated condensed balance sheets and statement of comprehensive income from the past 5 years shall be presented when unconsolidated financial statements are available.

\*Financial information using Accounting Principles adopted by the R.O.C. shall be presented if the adoption of International Accounting Standards is less than five fiscal years.

Note 1: Information that has not been audited by CPA shall be noted.

Note 2: Revaluation dates and value shall be noted for assets revaluated during the year.

Note 3: Financial data from listed or brokerage-traded companies that are reviewed or audited by the independent auditors shall be disclosed up to the printing date of the annual report:

Note 4: After-distribution figures are based on Board's decision or the resolutions of the shareholders' meeting of the following year.

Note 5: Financial data that are modified or re-compiled after notification from authoritative agencies shall be noted and explained.

Note: (1) Financial information above was either audited or reviewed by CPAs. (2) Approved by the Board and pending for a resolution from the shareholders' meeting.

##### 2. Condensed Balance Sheet - International Accounting Standards (Parent Company)

Unit: NT\$ thousands

Item	Year	Financial Information from the Past 5 Years				
		2018	2019	2020	2021	2022
Current Assets		1,426,591	1,137,813	975,571	1,239,245	1,102,005
Investment Using Equity Method		505,362	476,524	503,463	483,899	454,426
Property, Plant and Equipment		1,220,643	1,336,968	1,264,484	1,228,781	1,170,432

Item \ Year	Financial Information from the Past 5 Years					
	2018	2019	2020	2021	2022	
Intangible Assets	6,171	15,015	12,324	13,667	9,194	
Other Assets	167,791	19,102	29,703	8,438	4,369	
Total Assets	3,356,635	3,031,713	2,840,970	3,019,987	2,784,047	
Current Liabilities	Before Distribution	775,149	617,690	614,818	734,838	632,191
	After Distribution	841,795	668,956	645,356	765,542	744,772
Non-Current Liabilities	987,847	878,287	746,199	796,312	513,509	
Total Liabilities	Before Distribution	1,762,996	1,495,977	1,361,017	1,531,150	1,145,700
	After Distribution	1,829,642	1,547,243	1,391,555	1,561,854	1,258,281
Share Capital	1,030,865	1,030,865	1,030,865	1,030,865	1,030,865	
Capital Surplus	145,471	145,471	145,471	150,532	150,532	
Retained Earnings	Before Distribution	453,973	412,123	366,430	363,274	500,023
	After Distribution	387,327	360,857	335,892	332,570	387,442
Other Rights and Interests	(27,793)	(42,026)	(40,336)	(44,054)	(31,293)	
Treasury Shares	8,877	(10,697)	(22,477)	(11,780)	(11,780)	
Total Equity	Before Distribution	1,593,639	1,535,736	1,479,953	1,488,837	1,638,347
	After Distribution	1,526,993	1,484,470	1,449,415	1,458,133	1,525,766

Note: (a) Financial information above was audited by CPAs. (b) Approved by the Board and pending for the resolution from the shareholders' meeting.

## (II) Consolidated Condensed Statement of Comprehensive Income from the Past 5 Years

### 1. Condensed Statement of Comprehensive Income - International Accounting Standards (Consolidated)

Unit: NT\$ thousands

Item \ Year	Financial Information from the Past 5 Years				
	2018	2019	2020	2021	2022
Revenue	2,500,814	2,022,841	1,756,718	1,825,807	1,790,943
Gross Profit	340,191	240,991	166,127	259,181	379,938
Income from Operation	103,010	27,282	(20,685)	32,891	153,607

Year Item	Financial Information from the Past 5 Years				
	2018	2019	2020	2021	2022
Non-operating Income and Expenses	15,460	357	27,756	1,969	45,844
Income before Income Tax	118,470	27,639	7,071	34,860	199,451
Net Income from Operations of Continued Segments	94,713	27,829	10,300	29,606	165,390
Loss from Discontinued Operation	--	--	--	--	--
Current Net Income (Loss)	94,713	27,829	10,300	29,606	165,390
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(1,136)	(17,266)	(3,037)	(5,942)	14,824
Total Comprehensive Income (Loss)	93,577	10,563	7,263	23,664	180,214
Net Income Attributable to Shareholders of Parent Company	94,713	27,829	10,300	29,606	165,390
Net Income Attributable Non-Controlling Interests	--	--	--	--	--
Total Comprehensive Income Attributable to Shareholders of Parent Company	93,577	10,563	7,263	23,664	180,214
Total Comprehensive Income Attributable to Non-Controlling Interests	--	--	--	--	--
Earnings per Share	0.92	0.27	0.10	0.29	1.62

\*Unconsolidated condensed balance sheets and statement of comprehensive income from the past 5 years shall be presented when unconsolidated financial statements are available.

\*Financial information using in Accounting Principles adopted by the R.O.C. shall be presented if the adoption of International Accounting Standards is less than five fiscal years.

Note 1: Information that has not been audited by CPA shall be noted.

Note 2: Financial data from listed or brokerage-traded companies that are reviewed or audited by the independent auditors shall be disclosed up to the printing date of the annual report.

Note 3: Loss from discontinued operation is presented net of tax.

Note 4: Financial data that are modified or re-compiled after notification from authoritative agencies shall be noted and explained.

Note: Financial information above was either audited or reviewed by CPAs.

## 2. Condensed Statement of Comprehensive Income - International Accounting Standards (Parent Company)

Unit: NT\$ thousands

Year Item	Financial Information from the Past 5 Years				
	2018	2019	2020	2021	2022
Revenue	1,609,775	1,303,317	1,057,854	1,195,898	1,348,972
Gross Profit	261,563	184,010	108,940	228,946	369,723
Income from Operation	99,310	42,973	(36,515)	58,179	184,408
Non-operating Income and Expenses	28,949	(7,575)	42,536	(20,822)	23,349

Income before Income Tax	128,259	35,398	6,021	37,357	207,757
Current Net Income (Loss)	94,713	27,829	10,300	29,606	165,390
Total Comprehensive Income (Loss) (Net of Tax)	(1,136)	(17,266)	(3,037)	(5,942)	14,824
Total Comprehensive Income (Loss)	93,577	10,563	7,263	23,664	180,214
Earnings per Share	0.92	0.27	0.10	0.29	1.62

Note: Financial information above was audited and certified by CPAs.

### (III) CPAs' Opinions from the Past Five Years

Deloitte Taiwan

Year	2018	2019	2020	2021	2022
Audit CPA	Chen, Chen-Li Wu, Chiu-Yen	Liu, Yu-Hsiang Wu, Chiu-Yen	Chiang, Jia-Ling Liu, Yu-Hsiang	Chiang, Jia-Ling Liu, Yu-Hsiang	Chiang, Jia-Ling Wu, Chiu-Yen
Audit Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

## II. Financial Analysis from the Past 5 Years(Note1)

### 1. Financial Analysis - International Accounting Standards (Consolidated)

Item (Note 3)		Financial Analysis from the Past 5 Years				
		2018	2019	2020	2021	2022
Capital Structure(%)	Debt Ratio	55.38	53.45	52.96	53.68	43.96
	Long-Term Funds to Property, Plant and Equipment Ratio	161.34	145.56	144.09	156.28	158.03
Liquidity Ratio(%)	Current Ratio	176.34	173.96	161.86	156.28	190.18
	Quick Ratio	95.67	101.56	114.99	124.53	120.44
	Times Interest Earned (Times)	5.38	2.59	1.48	4.09	15.33
Operation Performance	Average Collection Turnover (Times)	3.07	2.96	2.73	3.02	3.53
	Days Sales Outstanding	119	123	134	121	103
	Average Inventory Turnover (Times)	2.73	2.48	2.97	3.35	2.70
	Average Payment Turnover (Times)	4.28	5.63	5.58	4.58	4.10
	Average Inventory Turnover Day	134	147	123	109	135
	Property, Plant and Equipment Turnover (Times)	1.58	1.24	1.1	1.22	1.27
	Total Assets Turnover (Times)	0.68	0.58	0.54	0.57	0.58
Profitability Performance	Return on Total Assets (%)	3.14	1.15	0.64	1.19	5.72
	Return on Equity (%)	5.94	1.77	0.68	1.99	10.57
	Pre-tax Income to Paid-in Capital Ratio (%)	11.49	2.68	0.68	3.38	19.34
	Net Margin (%)	3.78	1.37	0.58	1.62	9.23

Item (Note 3)	Year (Note 1)	Financial Analysis from the Past 5 Years				
		2018	2019	2020	2021	2022
	Earnings per Share (NT\$)	0.92	0.27	0.10	0.29	1.62
Cash Flow Analysis	Cash Flow Ratio (%)	9.01	27.34	39.85	26.70	47.88
	Cash Flow Adequacy Ratio (%)	56.31	65.29	73.87	83.91	129.44
	Cash Flow Reinvestment Ratio (%)	0.17	4.94	9.20	6.80	11.24
Leverage	Operation Leverage	2.67	7.33	(6.65)	5.52	1.91
	Financial Leverage	1.30	2.18	0.61	1.46	1.09

Explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%)

1. Times interest earned: The increase in time interest earned in 2022 compared to 2021 was attributable to an Income before tax by approximately 6 times in 2022.
2. Average days in sales: Average sales days: The increase in inventory at the end of 2022 was mainly attributable to the fact that some customers had not placed orders as they were trying to clear their inventories.
3. Return on assets, return on equity, ratio of income before tax to paid-in capital , net profit margin and earnings per share: The increase in return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share was attributable to the 6 times increase in net income in 2022 as compared to 2021.
4. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Net cash inflow from operating activities increased by 50% in fiscal 2022 as compared to 2021 was mainly attributable to the Income before tax in 2022.
5. Operating leverage and financial leverage: The decrease in operating leverage and financial leverage was attributable to the increase in operating income in 2022 as compared to 2021.

## 2. Financial Analysis - International Accounting Standards (Parent-Only)

Item (Note 3)	Year (Note)	Financial Analysis from the Past 5 Years				
		2018	2019	2020	2021	2022
Capital Structure (%)	Debt Ratio	52.52	49.34	47.90	50.70	41.15
	Long-Term Funds to Property, Plant and Equipment Ratio	210.26	179.46	174.23	184.21	182.28
Liquidity Ratio (%)	Current Ratio	184.04	184.20	158.67	168.64	174.31
	Quick Ratio	111.15	49.34	107.65	114.84	105.49
	Times Interest Earned (Times)	8.95	3.31	1.45	4.54	17.31
Operation Performance	Average Collection Turnover (Times)	2.76	3.24	3.77	4.24	5.85
	Days Sales Outstanding	132	113	97	86	62
	Average Inventory Turnover (Times)	2.57	2.20	2.48	2.74	2.37
	Average Payment Turnover (Times)	4.08	6.48	8.47	4.76	4.24
	Average Inventory Turnover Day	142	166	147	133	154
	Property, Plant and Equipment Turnover (Times)	1.35	1.01	0.81	0.93	1.07
	Total Assets Turnover (Times)	0.49	0.41	0.36	0.41	0.46
Profitability Performance	Return on Total Assets (%)	3.27	1.18	0.66	1.27	6.03
	Return on Equity (%)	5.94	1.77	0.68	1.99	10.57
	Pre-tax Income to Paid-in Capital Ratio (%)	12.44	3.43	0.58	3.62	20.15

Item (Note 3)	Year (Note)	Financial Analysis from the Past 5 Years				
		2018	2019	2020	2021	2022
	Net Margin (%)	5.88	2.13	0.97	2.47	12.26
	Earnings per Share (NT\$)	0.92	0.27	0.10	0.29	1.62
Cash Flow Analysis	Cash Flow Ratio (%)	9.76	33.84	39.92	21.52	53.59
	Cash Flow Adequacy Ratio (%)	56.30	2.47	70.81	72.24	109.98
	Cash Flow Reinvestment Ratio (%)	(0.19)	4.83	6.98	4.71	11.81
Leverage	Operation Leverage	2.06	3.56	(1.82)	2.69	1.53
	Financial Leverage	1.18	1.41	0.76	1.19	1.07

Explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%)

1. Times interest earned: The increase in time interest earned in 2022 compared to 2021 was attributable to an Income before tax by approximately 6 times in 2022.
2. Receivables turnover and average collection days: The increase in receivables turnover rate and decrease in average collection days were mainly due to the 18% decrease in accounts receivable in 2022 as compared to 2021.
3. Return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share: The increase in return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin and earnings per share was attributable to the 6 times increase in net income in 2022 as compared to 2021.
4. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Net cash inflow from operating activities increased by 50% in fiscal 2022 as compared to 2021 was mainly attributable to the Income before tax in 2022.
5. Operating leverage and financial leverage: The decrease in operating leverage and financial leverage was attributable to the increase in operating income in 2022 as compared to 2021.

\*Unconsolidated condensed financial analysis from the past 5 years shall be presented when unconsolidated financial statements are available.

\*Financial information using in Accounting Principles adopted by the R.O.C. shall be presented in the table below (2) if the adoption of International Accounting Standards is less than five fiscal years.

Note 1: Information that has not been audited by CPA shall be noted.

Note 2: Financial analysis from listed or brokerage-traded companies that are reviewed or audited by the independent auditors shall be disclosed up to the printing date of the annual report.

Note 3: Calculation formulas are stated as follows:

1. Capital Structure

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity Ratio

(1) Current Ratio = Current Assets / Current Liabilities

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

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expense

3. Operation Analysis

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

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Goods Sold / Average Inventory

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

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Ratios

(1) Return on Total Assets = [Net Income+ Interest Expenses x (1 - Effective Tax Rate)] / Average Total Assets

- (2) Return on Equity = Net Income  
to Owners of the Corporation / Average Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings per Share = (Net Income Attributable to Shareholders of Parent Company - Preferred Stock Dividend)  
/ Weighted Average Number of Shares Outstanding (Note 4)

5. Cash Flow Ratios

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year  
Sum of (Capital Expenditures + Inventory Additions + Cash Dividend)
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property,  
Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 5)

6 Leverage:

- (1) Operating Leverage = (Net Revenue - Variable Cost) / Income from Operations (Note 6)
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest  
Expenses)

Note 4: The calculation for earning per share has factored in the follows:

- 1. Weighted average shares are adopted, instead of the number of shares issued at the end of the year
- 2. The floating period shall be taken into consideration for calculation of weighted average shares when there were new shares issued for new cash capital or treasury shares.
- 3. When there are new shares converted from earnings or capital surplus, the newly added capital shall be adjusted retrospectively when calculating yearly and half-year earnings per share, without consideration for the issuing period.
- 4. Yearly dividends (whether distributed or not) for non-convertible preferred shares shall be subtracted from net income or added back to net loss. For non-accumulative preferred shares, the dividends shall be subtracted from net income, or no adjustment when net loss.

Note 5: The calculation for cash flow ratios has factored in the follows:

- 1. Cash from operating activities means net cash provided by operating activities under the statement of cash flows.
- 2. Capital expenditures means cash outflow from yearly capital expenditures.
- 3. Inventory addition only included for the calculation when the beginning balance is bigger than the ending balance. No inclusion needed if the ending balance is lower than the beginning balance.
- 4. Cash dividends include dividends to both common and preferred shares.
- 5. Gross property, plant and equipment is the assets value without deduction for amortization.

Note 6: Issuers shall, based on the nature, break cost of goods sold and operation expenses into fixed and variable categories. Any classification involved estimation or objective judgement shall be reasonable and remain consistent.

Note 7: Shares issued without par or not NT\$10 at par, the calculation involved paid-in capital above shall change to equity attributable to shareholders of parent company in the balance sheet.

III. For Audit Committee's Review Report from the most recent year: please refer to Page 89.

IV. For the financial report from the most recent year, including the independent auditor's report, two-year comparative statements, including balance sheets, statements of comprehensive income, change of equity, and cash flow, as well as the footnotes or attached tables: Please refer to the Attachment II, Consolidated Financial Reports on page 178 to 242.

V. Parent-company only financial statement for the most recent fiscal year, audited and certified by a CPA, but not including the statements of major accounting items: Please refer to the Attachment I on page 100 to 177.

VI. Financial difficulties experienced by If the Company or its affiliates in the most recent year up to the printing date of the annual report, with the explanation on impacts to the Company's financial situation: None

# Tsang Yow Industrial Co., Ltd.

## Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2022 Parent-only and Consolidated Financial Reports, Business Report, and proposals of earnings distribution. The Financial Reports mentioned above have been audited by Chiang, Jia-Ling and Wu, Chiu-Yen of Deloitte Taiwan with unqualified opinion issued. All the reports and statements above were prepared by the Board of Directors and have been reviewed and determined to be correct and accurate by the Audit Committee members. Therefore, we hereby submit this report in accordance with Article 219 of the Company Act and Article 14-4 and 36 of the Securities and Exchange Act. Please review accordingly.

Sincerely,

Tsang Yow Industrial Co., Ltd.

2023 Annual General Shareholders' Meeting

Chairman of Audit Committee

March 15, 2023

# Chapter Seven. Analysis of Financial Position and Financial Performance, and Risk Events

## I. Financial Position

### 1. Consolidated Financial Statements

Units: NT\$ thousands

Item \ Year	2021 End	2022 End	Difference	
			Amount	%
Other Assets (Note)	1,664,247	1,479,269	(184,978)	(11.11)
Property, Plant and Equipment	1,448,323	1,350,037	(98,286)	(6.79)
Intangible Assets(Note)	14,429	9,839	(4,590)	(31.81)
Other Assets (Note)	8,438	4,369	(4,069)	(48.22)
Total Assets	3,214,552	2,923,951	(290,601)	(9.04)
Current Liabilities(Note)	929,403	777,810	(151,593)	(16.31)
Long-term Liabilities(Note)	774,718	495,178	(279,540)	(36.08)
Other Liabilities(Note)	9,898	5,945	(3,953)	(39.94)
Total Liabilities	1,725,715	1,285,604	(440,111)	(25.50)
Common Shares	1,030,865	1,030,865	—	—
Retained Earnings(Note)	363,274	500,023	136,749	37.64
Other Rights and Interests(Note)	(44,054)	(31,293)	12,761	28.97
Treasury Shares	(11,780)	(11,780)	0	0.00
Non-Controlling Interests	—	—	—	—
Total Shareholders' Equity	1,488,837	1,638,347	149,510	10.04

Main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years (if there is a 10 percent or more variation in the monetary amounts, and if such sum has reached NT\$10 million), describe the effect thereof, and measures to be taken in response:

1. Current assets: The decrease in cash and cash equivalents was mainly due to the repayment of loans; the decrease in accounts receivable was also due to the decrease in revenue of the mainland China subsidiary caused by the epidemic control.
  2. Intangible assets: The decrease in intangible assets was mainly caused by amortization.
  3. Other assets: The decrease in equipment prepayments of NT\$3,780 thousand was mainly attributable to the reclassification of MAZAK's double spindle and double turret machines to assets in 2022.
  4. Current liabilities: The decrease was attributable to the repayment of short term loans and accounts payable.
  5. Long-term liabilities: mainly attributable to the repayment of long-term loans.
  6. Other liabilities: Mainly attributable to the decrease in net defined benefit liabilities of NT\$3,953 thousand
  7. Retained earnings: Mainly due to the profit before tax in 2022.
  8. Other equity: Mainly attributable to the depreciation of the Taiwan dollar, which resulted in a decrease of NT\$15,951 thousand in the translation difference on foreign operations.
- The above differences are considered normal operating movements and have no material impact on the Company's financial position.

### 2. Unconsolidated Financial Statements

Units: NT\$ thousands

Item \ Year	2021 End	2022 End	Difference	
			Amount	%

Other Assets (Note)	1,239,245	1,102,005	(137,240)	(11.07)
Long-term Equity Investment	483,899	454,426	(29,473)	(6.09)
Property, Plant and Equipment	1,228,781	1,170,432	(58,349)	(4.75)
Intangible Assets(Note)	13,667	9,194	(4,473)	(32.73)
Other Assets (Note)	8,438	4,369	(4,069)	(48.22)
Total Assets	3,019,987	2,784,047	(235,940)	(7.81)
Non-Current Liabilities (Note)	734,838	632,191	(102,647)	(13.97)
Long-term Liabilities(Note)	774,718	495,178	(279,540)	(36.08)
Other Liabilities(Note)	9,898	5,945	(3,953)	(39.94)
Total Liabilities	1,531,150	1,145,700	(385,450)	(25.17)
Common Shares	1,030,865	1,030,865	0	0.00
Retained Earnings(Note)	363,274	500,023	136,749	37.64
Other Rights and Interests(Note)	(44,054)	(31,293)	12,761	(28.97)
Treasury Shares (Note)	(11,780)	(11,780)	—	—
Total Shareholders' Equity	1,488,837	1,638,347	149,510	10.04

Main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years (if there is a 10 percent or more variation in the monetary amounts, and if such sum has reached NT\$10 million), describe the effect thereof, and measures to be taken in response:

1. Current assets: Mainly attributable to the decrease in cash and cash equivalents of NT\$72,979 thousand in 2022 as compared to 2021, and the decrease in accounts receivable of NT\$98,127 thousand as compared to 2021.
  2. Intangible assets: The decrease in intangible assets was mainly caused by amortization.
  3. Other assets: The decrease in equipment prepayments of NT\$3,780 thousand was mainly attributable to the reclassification of MAZAK's double spindle and double turret machines to assets in 2022.
  4. Current liabilities: The decrease was attributable to the repayment of short term loans and accounts payable.
  5. Long-term liabilities: mainly attributable to the repayment of long-term loans.
  6. Other liabilities: Mainly attributable to the decrease in net defined benefit liabilities of NT\$3,953 thousand
  7. Retained earnings: Mainly due to the profit before tax in 2022.
  8. Other equity: Mainly attributable to the depreciation of the Taiwan dollar, which resulted in a decrease of NT\$15,951 thousand in the exchange difference on foreign operations.
- The above differences are considered normal operating movements and have no material impact on the Company's financial position.

## II. Financial Performance

### (I) Analysis and explanation of major changes in revenue, income from operation and pre-tax income from the past two years:

#### 1. Consolidated Financial Statements

Units: NT\$ thousands

Item	Year		Increase (Decrease)	Change (%)
	2021	2022		
Net Revenue	1,825,807	1,790,943	(34,864)	(1.91)
Cost of Revenue	1,566,626	1,411,005	(155,621)	(9.93)

Item \ Year	2021	2022	Increase (Decrease)	Change (%)
Gross Profit (Note)	259,181	379,938	120,757	46.59
Income from Operation (Loss) (Note)	32,891	153,607	120,716	(367.02)
Non-operating Income and Expenses (Note)	1,969	45,844	43,875	2,228.29
Pre-tax Income from Operations of Continued Segments (Note)	34,860	199,451	164,591	472.15
Income Tax Benefit (Expense) (Note)	(5,254)	(34,061)	(28,807)	548.29
Net Income from Operations of Continued Segments (Note)	29,606	165,390	135,784	458.64
Income from Discontinued Operation (Loss)	--	--	--	--
Current Net Income (Note)	29,606	165,390	135,784	458.64

If there is a 20 percent or more variation in the monetary amounts, and if such sum has reached NT\$10 million or more, an analysis of the variation is provided:

1. Increase in gross profit and net operating profit: In 2022, due to the increase in various costs, the company not only made cost improvements, but also adjusted the selling price for relevant products; in addition, the Company mainly exported to Europe and the United States, and thus benefited from the depreciation of the Taiwan dollar in 2022, so both gross profit and net operating profit increased as compared to 2021.
2. The increase in non-operating income and expenses was mainly attributable to the increase in net foreign currency exchange gain in 2022 as compared to 2021.
3. The increases in profit before tax from continuing operations, net income from continuing operations, income tax expense and net income for the period were mainly attributable to the increases in gross profit and non-operating income and expenses in 2022 compared to 2021.

Note: Excluding realized (unrealized) loss from transaction from affiliated companies

## 2. Unconsolidated Financial Statements

Units: NT\$ thousands

Item \ Year	2021	2022	Increase (Decrease)	Change (%)
Net Revenue	1,195,898	1,348,972	153,074	12.80
Cost of Revenue	966,952	979,249	12,297	1.27
Gross Profit (Note)	228,946	369,723	140,777	61.49
Income from Operation (Loss) (Note)	58,179	184,408	126,229	(216.97)
Non-operating Income and Expenses (Note)	(20,822)	23,349	44,171	(212.14)
Pre-tax Income from Operations of Continued Segments (Note)	37,357	207,757	170,400	456.14
Income Tax Benefit (Expense)	(7,751)	(42,367)	(34,616)	446.60
Net Income from Operations of Continued Segments (Note)	29,606	165,390	135,784	458.64
Current Net Income (Loss)	29,606	165,390	135,784	458.64

If there is a 20 percent or more variation in the monetary amounts, and if such sum has reached NT\$10 million or more, an analysis of the variation is provided:

1. Increase in gross profit and net operating profit: In 2022, due to the increase in various costs, the company not only made cost improvements, but also adjusted the selling price for relevant products; in addition, the Company mainly exported to Europe and the United States, and thus benefited from the depreciation of the Taiwan dollar in 2022, so both gross profit and net operating profit increased as compared to 2021.
2. Non-operating income and expenses: It was attributable to the increase in net foreign currency exchange gain in 2022 as compared to 2021 and the loss recognized in investment in subsidiaries.
3. The increases in profit before tax from continuing operations, net income from continuing operations, income tax expense and net income for the period were mainly attributable to the increases in gross profit and non-operating income and expenses in 2022 compared to 2021.

Note: Excluding realized (unrealized) loss from transaction from affiliated companies

**(II) Sales forecast and the basis therefor, with the effect on the Company's financial operations, as well as measures taken in response:** Not applicable.

### III. Cash Flow:

**(I) Analysis of liquidity from the past two years:**

Units: NT\$ thousands

Item	2021	2022	Changes and Reasons:
Net Cash from Operating Activities	248,216	372,480	124,264
Net Cash from Investment Activities	24,978	32,228	7,250
Net Cash from Financing Activities	34,682	449,293	414,611

Data source: Audited and certified consolidated financial statements by CPAs.

Analysis of Cash Flow Changes from the Current Year:

- (1) Net cash inflow from operating activities increased by NT\$124,264 thousand was mainly attributable to the increase in accounts receivable.
- (2) Net cash outflow from investing activities increased by NT\$7,250 thousand was mainly attributable to the acquisition of additional equipment.
- (3) Net cash outflow from financing activities increased by NT\$414,611 thousand was mainly attributable to the repayment of long-term and short-term loans.

**(II) Improvement Measures for Poor Liquidity Situation:** Not Applicable.

**(III) Analysis of liquidity for the following year:**

Units: NT\$ thousands

Cash Balance at the Beginning of the Year A	Estimated Net Cash Flow from Operation Activities throughout the year B	Estimated Cash Flow for the Whole Year C	Estimated Cash Surplus (Shortage) A+B-C	Possible Remedy Measure Taken for the Shortage	
				Investment Plan	Financing Plan
458,717	208,522	174,895	492,344	-	-

Analysis and Explanation

- (1) Operation Activities: Net cash inflows from operating activities was attributable to the increase in net change in cash inflows from assets and liabilities.
- (2) Investment Activities: Net cash outflow from investing activities was attributable to the acquisition of machinery and equipment.
- (3) Financing Activities: Net cash outflow was attributable to the repayment of short-term loans.
- (4) Possible Remedy Measure Taken for the Shortage: As a result of the above, we expect to have sufficient working capital for the year and there is no cash shortage.

#### IV. Impacts from Major Capital Expenditures to the Financials in the Most Recent Year:

Major capital expenditures spent in the most recent year were mostly specific equipment and machinery for upgrading manufacturing technologies and enhancing breakthrough capacity. Most funding came from operation capital and bank borrowings, which have not caused significant impacts to the financial operation.

#### V. The reinvestment policy for the most recent year, with main reasons of the profits/losses generated, the improvement plans, and investment plans for the following year.

December 31, 2022 Unit: NT\$ thousands

Item	Explanation	Investment Cost	Investment Profit/Loss Recognized during the Year	Policy	Main Reason for Profit/Loss
Giant Finance Inc.		449,023	(40,779)	Developing international trading business	Loss from subsidiaries in Mainland China
All-Aspect International Corp.		1,621	393	Developing international trading business	Revenue from re-exportation business
Business International Corp.		463,429	(44,112)	Developing international trading business	Loss from subsidiaries in Mainland China
Wuxi Tsang Yow Auto Parts Co., Ltd.		293,538	(45,901)	R&D capability improvement to enable stability on finishing quality and production speed	Slow-down global car market due to lower economic growth in China and impacts from the trade war between the U.S.A. and China.

The Company invested more than 60% of paid-in capital for the venture. It is stipulated in the Articles of Incorporation that when becoming a shareholder of a limited liability venture, the Company is not bonded by Article 13 under the Company Act, provided it is not 100%-held.

#### **Improvement Plans, and Investment Plans for the Following year:**

The Company aims to improve production for low-margin products to lower costs; strive to become a first-tier supplier through know-how from stamping pressing and gear finishing; and enhance competitiveness by moving towards products of high complexity and technology levels to stay away from price wars for higher profitability.

#### VI. Risk Events Analysis and Evaluation

##### **(I) The Impacts of Interest Rate, Exchange Rate Changes and Inflation on the Company's Profit and Future Countermeasures:**

###### (1) Change of interest rate

Interest rates for long and short term bank loans in 2022 was between 1.40-1.55%. Interest rates exposed by the Company have remained in a lower-level range in the past years, which is favorable to the funding bargaining. The Company has dedicated financial personnel that

evaluate bank lending rates from time to time and pay close attention to international and domestic financial markets, as well as maintaining close relations with banks to obtain favorable funding rates and ample credit lines.

(2) Change of exchange rates

Export sales, mainly in USD, EUR, and RMB, accounts for 80% percent of total sales, which enables the Company naturally hedged for foreign currency exposure. Foreign exchange gain (loss) for 2021 and 2022 were NT\$(19,886) thousand and NT\$51,271, respectively, representing (57.05)% and 25.71% of profit before tax for the respective periods.

(3) Impacts from inflation

Quotes provided to the Company's customers are adjusted by market condition, so that inflation impacts are limited. In addition, the Company pays close attention to price fluctuation in the market. There have not been imminent significant incidents caused by inflation.

**(II) Policies on Engaging in High-risk and High-leverage Investments, Lending Funds to Others, and Endorsements and Guarantees, as well as Derivative Transactions, Main Causes of Profit and Loss as well as Future Countermeasures:**

The Company has not engaged in high-risk and high-leverage investments, or derivative trading. The Company has stipulated "Regulations Governing the Acquisition and Disposal of Assets," "Operational Procedures for Loaning Funds to Others," and "Measures for Making of Endorsements/Guarantees," which have been approved by the shareholders' meeting, for relevant guidance. All inter-group financings, up to the printing date of the annual report, had been processed accordingly.

**(III) Future R&D Projects and Expected Investments:**

◆ Future R&D Projects

- There are 17 items for transmission system including: Shaft Output 、 Shaft Main, Sleeve, Shaft Turbine, Carrier Planetary, Backplate Clutch, Hub Drive Drum, Hub, Ring Gear PGS3 Drum, Cylinder Welding, Cylinder DC, and Carrier PGS2 Welding Assy.
- CH-HR-10X Inner Stator Race
- E-bike Transfer Gear
- 9 items for aerospace products
- Including Pump Cover & Housing and other items

◆ Projected R&D Budget for 2023: NT\$22,150 thousand

**(IV) Impacts from Changes of Important Domestic/Foreign Policies and Laws to the Company's Financials, and Countermeasures:**

The Company always operates in accordance with domestic and international laws and regulations and pays close attention to the latest policies and law updates to assist in management decision making, as well as modifying the internal control system and operation activities for business stability. For the recent year up to the printing date of the annual report, there had not been impacts to the financials due to changes of important domestic/foreign policies and laws.

**(V) Impacts of Changes in Technology (including Cyber Security Risks) and Industry on the Company's Financials and Countermeasures:**

The sales and R&D departments always study market and technology trends and keep close

attention to supply/demand dynamic and new technology and impacts to the Company brought by technology and market. The Company will continue upgrading production quality and efficiency and will make efforts in new product development for better competitiveness. Therefore, there had not been impacts on the financials due to changes in technology and industry.

**(VI) Impacts of Change of Corporate Image on the Crisis Management and Countermeasures:**

The Company upholds business principles of professionalism and integrity and places great importance in corporate image and risk control to obtain employee solidarity and customer recognition. For the most recent year up to the printing date of the annual report, there had not been crisis incidents due to changes of corporate image.

**(VII) Expected Benefits and Possible Risks Brought by Merger and Acquisitions, and Countermeasures:**

Up to the printing date of the annual report, there had not been any mergers and acquisition plans.

**(VIII) Expected Benefits and Possible Risks Brought by Any Plant Expansion, and Countermeasures:**

For the most recent year up to the printing date of the annual report, expected benefits from plant expansion included better production yield and efficiency and possibilities for new customer orders. The funding expansion mainly came from steady operation cash flows and bank borrowings, which have not caused potential for significant risks.

**(IX) Risks from Concentrating Sales or Purchasing, and Countermeasures:**

(1) Purchasing

The Company adopts a diversified - purchasing network: There are more than two long-term supplying sources for every key material. In the meantime, sourcing for new suppliers is conducted with an on-going basis to avoid material shortage or manufacturing suspension. Therefore, the Company is not exposed to the risk of concentrating purchase.

(2) Sales

Core products of the Company include parts used in automobile automatic transmission, clutch parts for heavy-duty trucks, and drivetrain parts for industrial machinery, which cover a wide variety of sectors. In addition, the Company maintains healthy relations with its customers who are mainly major car brands and car repairing chains. Sales figures continues to stay in a certain level, while selling to top customers various and changes depending on their business condition. The Company has long-term relationships with its existing customers while striving to acquire new customers to expand and diversify the customer base. There have been no risks of concentrating sales.

**(X) Impacts, risks, and countermeasures of directors, supervisors, or shareholders with a shareholding exceeding 10%, large shareholder rights transfer, or change on the Company:**

There had not been large shareholding rights transfer from the current directors, supervisors or shareholders who hold 10% shareholding or more.

**(XI) Impacts, Risks, and Countermeasures of Change in Management Rights to the Company: None.**

**(XII) Company and Director, Supervisor, General Manager, Substantial Person in charge of the Company, Major Shareholder with A Shareholding Percentage Exceeding 10%,**

**and Affiliate of the Company that Has Received Any Affirmative Ruling or Is Involved in Any Pending Major Litigation, Non-contentious Case or Administrative Dispute Event, and the Result Thereof may Have Major Impacts on the Shareholders' Rights or Stock Price; Relevant Dispute Facts, Subject Matter Amount, Litigation Starting Date, Main Parties Involved in the Litigation, and the Handling Status Up to the Printing Date of the Annual Report Required to be Disclosed: None.**

**(XIII)Other Significant Risks and Countermeasures: None.**

VII. Other Important Matters: None.

## Chapter Eight. Special Notes:

### I. Summary of Affiliated Companies:

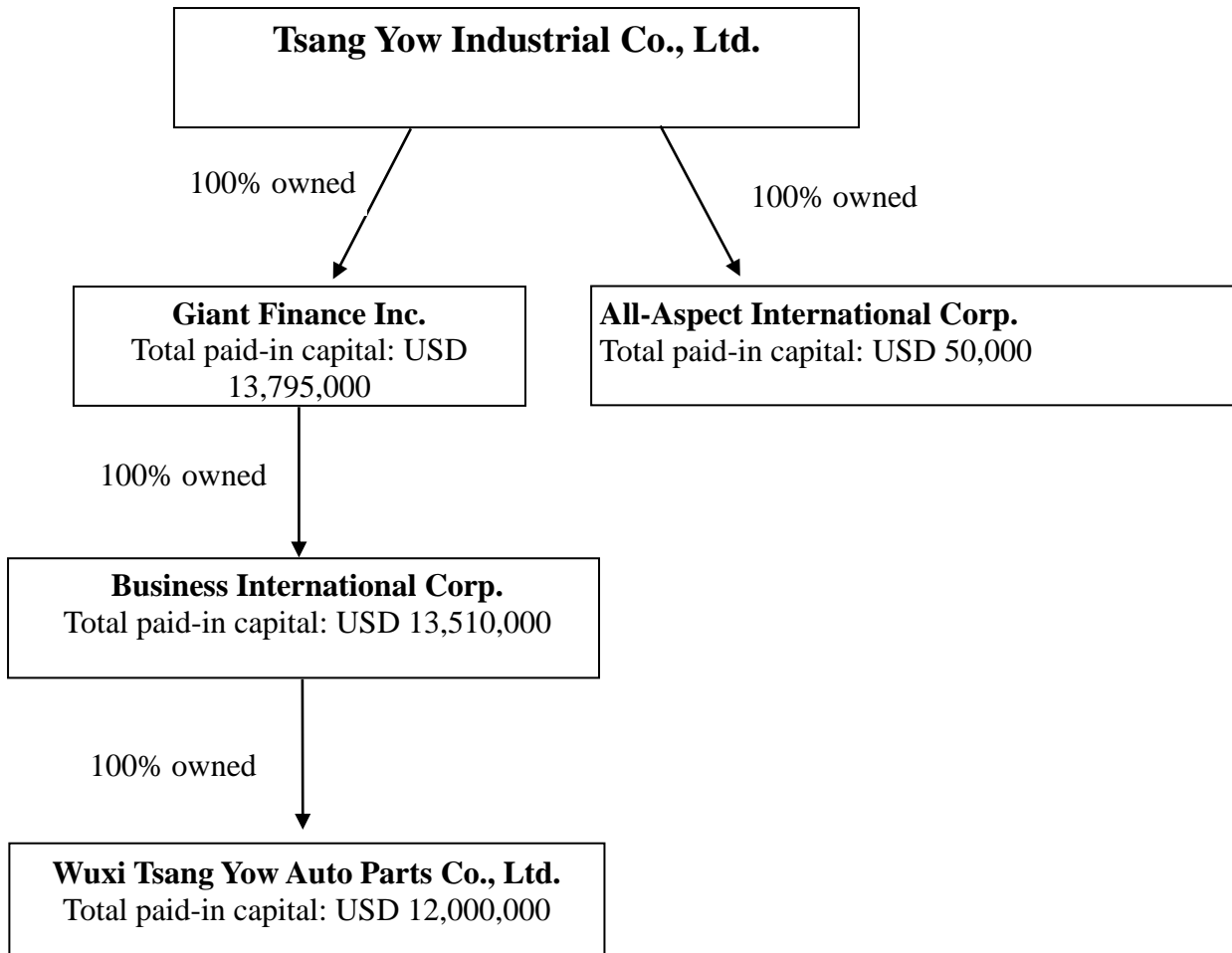
#### (I) Consolidated Financial Statement:

Please see Attachment II for parent and subsidiaries consolidated financial statements on page 178 to 242.

#### (II) Affiliation Report: None

#### (III) Consolidated Business Reports Covering Affiliated Entities

##### 1. Affiliation Chart



2. Affiliate Information

December 31, 2022 Units: NT\$ thousands/US\$ thousands

Affiliated Entity	Date of Establishment	Address	Paid-in Capital	Business Activity
Giant Finance Inc.	August 15, 2002	No. 38, Cheng-Kong 2 <sup>nd</sup> St., Minsyoung Industrial Park, Chia Yi County, Taiwan, R.O.C	USD13,795	Reinvestment and interactional trading
All-Aspect International Corp.	January 4, 1999	No. 38, Cheng-Kong 2 <sup>nd</sup> St., Minsyoung Industrial Park, Chia Yi County, Taiwan, R.O.C	USD50	Reinvestment and interactional trading
Business International Corp.	August 15, 2002	No. 38, Cheng-Kong 2 <sup>nd</sup> St., Minsyoung Industrial Park, Chia Yi County, Taiwan, R.O.C	USD13,510	Reinvestment and interactional trading
Wuxi Tsang Yow Auto Parts Co., Ltd.	January 20, 2004	No. 69 Hsimei Rd., Wuxi National Hi-tech Industry Development Zone	USD 12,000	Develop, produce, distribute, and provide after-selling service for parts used in auto transmission device and related parts, molds used in automobiles and scooters, fixtures, fine blanking dies, precision cavity molds, mold standard parts, and hardware parts.

Exchange rate: 30.71

Note 1: All affiliate entities shall be disclosed, regardless scale.

Note 2: For affiliates whose production plants account for 10% sales of the controlling entity's, information of the plant including, name, establishing date, address, and key production shall be added.

Note 3: For overseas affiliates, entity names can be disclosed in English with establishment shown in western calendar dates, and paid-in capital in foreign currency (exchange rate for the report date shall be added).

2. Directors, Supervisors, and Presidents of the Affiliates Units: thousand shares

Affiliated Entity	Title	Name or Representative	Current Shareholding	
			No. of Shares	Shareholding %
Giant Finance Inc.	Person in charge	Tsangyow Industrial Co., Ltd Representative: Su, Chi-Tse	13,795	100%
All-Aspect International Corp.	Person in charge	Tsangyow Industrial Co., Ltd Representative: Su, Chi-Tse	50	100%

Business International Corp.	Person in charge	Giant Finance Inc. Representative: Su, Chi-Tse	13,510	100%
Wuxi Tsang Yow Auto Parts Co., Ltd.	Chairman Director	Business International Corp. Representative: Su, Chi-Tse Business International Corp. Representative: Su, Chi-Hu Business International Corp. Representative: Kuo, Wen-Tang	12,000	100%

#### 4. Operation Highlights of Affiliates

December 31, 2022 Unit: NT\$ thousands/Foreign Currency thousands

Investee Enterprises	Core Business	Investment Cost	Book Value	Shareholding		Shareholder rights Worth	Market Value (Note 1)	Accounting Treatment	Investment Return in the Most Recent Year		No. of Shares Held
				No. of Shares (thousand shares)	Shareholder rights Ratio %				Investment Profit/Loss	Dividend Per Share	
Giant Finance Inc. (Note 2)	Reinvestment and interactional trading	449,023	422,736	13,795	100	422,736	-	Equity method	(40,779)	-	-
All-Aspect International Corp. (Note 2)	Reinvestment and interactional trading	1,621	31,690	50	100	31,690	-	Equity method	393	-	-
Business International Corp. (Note 2)	Reinvestment and interactional trading	463,429	458,044	13,510	100	458,044	-	Equity method	(44,112)	-	-
Wuxi Tsang Yow Auto Parts Co., Ltd. (Note 2)	Develop, produce, distribute, and provide after-sales service for parts used in auto	392,246	358,560	12,000	100	358,560	-	Equity method	(45,901)	-	-

Investee Enterprises	Core Business	Investment Cost	Book Value	Shareholding		Shareholder rights Worth	Market Value (Note 1)	Accounting Treatment	Investment Return in the Most Recent Year		No. of Shares Held
				No. of Shares (thousand shares)	Shareholder rights Ratio %				Investment Profit/Loss	Dividend Per Share	
	transmission device and related parts, molds used in automobiles and scooters, fixtures, fine blanking dies, precision cavity molds, mold standard parts, and hardware parts.										

Note 1: No market price available, as all investee entities are not listed.

Note 2: Inter-group sales have been offset in the consolidated financial statements.

\* USD exchange rate: 30.71 \* RMB exchange rate: 4.4094

II. Private Placement Securities in the Most Recent Year and Up to the Printing Date of the Annual Report: None.

III. Shares of the Company Acquired, Disposed of, Held by Subsidiaries in the Most Recent Year and up to the Printing Date of the Annual Report: None.

IV. Other Necessary Supplement: None.

Chapter Nine. Any Events in the Most Recent Year and up to the Printing Date of the Annual Report That Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in

Subparagraph 2, Paragraph 3 of Article 36 of Securities and Exchange Act: None.

## **Attachment**

<b>ATTACHMENT I. UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT .....</b>	<b>100</b>
<b>ATTACHMENT II. CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT.....</b>	<b>178</b>

## Independent Auditors' Report

To Tsang Yow Industrial Co., Ltd.,

### **Audit Opinion**

We have audited the accompanying parent company only balance sheets of Tsang Yow Industrial Co., Ltd. (the “Company”) for the years ended December 31, 2022 and 2021 and the relevant parent company only statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the individual financial position of the Company as of December 31, 2022 and 2021 and for the years then ended, and its individual financial performance and standalone cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis of audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards of the Republic of China. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the parent company only financial statements” paragraph of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

### **Key audit matters**

Key audit matters refer to the most vital matters in our audit of the Company’s parent company only financial statements for the year ended December 31, 2022 based on our professional judgment. These matters were addressed in our audit of the parent company only financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the Company’s parent company only financial statements for the year ended December 31, 2022, are stated as follows:

Authenticity of sales revenue from consignment warehouses

The Company mainly engages in the manufacturing and sales of automobiles and parts thereof. Warehouse consignment is one of the Company's important sales models. As the Company needed to regularly verify the quantity of the goods sold from the consignment warehouses to recognize the sales revenue, during which manual reconciliation was involved, the potential risk of error posed to the authenticity of the Company's sales revenue has increased. Therefore, in accordance with the rule that revenue is presumed to be a significant risk under the auditing standards, the authenticity of the sales revenue from specific consignment warehouses is listed as a key audit matter.

Please refer to Note 4 (11) for the accounting policy on revenue recognition and Note 20 for the disclosure of operating revenue.

We have implemented the corresponding audit procedures below for the specific aspects of the above key audit item, including:

- I. Learned about and tested if the Company's internal control operations related to the sales were effective.
- II. Selected samples from the statements of sales revenue from the specific consignment warehouses, checked the account reconciliation records between the Company and clients, shipping documents, and payment collection documents, and checked if the recipients were consistent with the transaction counterparties or reviewed the confirmation made by clients to confirm the authenticity of the sales.

### **Responsibilities of the management and the governing bodies for the parent company only financial statements**

The management's responsibilities are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control associated with the preparation in order to ensure that the parent company only financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, the management is responsible for assessing the Company's ability in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The Company's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

### **Auditor's responsibilities for the audit of the parent company only financial statements**

Our objectives are to obtain reasonable assurance on whether the parent company only

financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the parent company only financial statements, they are considered material.

We have exercised our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards of the Republic of China. We also performed the following tasks:

- I. Identified and assessed the risks of material misstatement arising from fraud or error within the parent company only financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
- II. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- III. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
- IV. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need 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 Company to cease to continue as a going concern.

- V. Evaluated the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
- VI. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's parent company only financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA Chiang, Jia-Ling

CPA Wu, Chiu-Yen

Securities and Futures Bureau Approval

Document No.

Tai-Cai-Zheng-Liu-Zi No. 0920123784

Securities and Futures Bureau Approval

Document No.

Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 25, 2023

Tsang Yow Industrial Co., Ltd.  
Parent Company Only Balance Sheet  
December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 307,069	11	\$ 380,048	13
1110	Financial assets at fair value through profit or loss – current (Notes 4, 7, and 26)	443	-	509	-
1151	Notes payable (Notes 4, 5, 8, and 20)	64	-	38	-
1170	Accounts receivable, net (Notes 4, 5, 8, and 20)	213,899	8	312,026	10
1180	Accounts receivable – related party (Notes 4, 5, 8, 20, and 27)	1,965	-	5,230	-
1200	Other receivables	17,708	1	11	-
1210	Other receivables – related party (Note 27)	107,544	4	127,687	4
1220	Current income tax assets (Notes 4 and 22)	431	-	679	-
1310	Inventory (Notes 4, 5, and 9)	432,738	16	393,090	13
1476	Other financial assets – current (Notes 10 and 28)	9,640	-	9,299	-
1479	Other current assets (Note 14)	10,504	-	10,628	1
11XX	Total current assets	<u>1,102,005</u>	<u>40</u>	<u>1,239,245</u>	<u>41</u>
<b>Non-current assets</b>					
1550	Investments using the equity method (Notes 4 and 11)	454,426	16	483,899	16
1600	Property, plant and equipment (Notes 4, 12, 28, and 29)	1,170,432	42	1,228,781	41
1755	Right-of-use assets (Notes 4 and 13)	3,886	-	1,191	-
1780	Intangible assets (Note 4)	9,194	-	13,667	-
1840	Deferred tax assets (Notes 4 and 22)	39,735	2	44,766	2
1915	Prepayments for business facilities	1,541	-	6,288	-
1980	Other financial assets – non-current (Notes 10 and 28)	2,236	-	1,558	-
1990	Other non-current assets	592	-	592	-
15XX	Total non-current assets	<u>1,682,042</u>	<u>60</u>	<u>1,780,742</u>	<u>59</u>
1XXX	Total assets	<u>\$ 2,784,047</u>	<u>100</u>	<u>\$ 3,019,987</u>	<u>100</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
2100	Short-term borrowings (Notes 15 and 27)	\$ 100,000	4	\$ 180,000	6
2130	Contract liabilities – current (Note 20)	18,387	1	4,494	-
2150	Notes payable (Note 16)	7,709	-	10,896	-
2170	Accounts payable (Note 16)	174,756	6	234,374	8
2180	Accounts payable – related party (Notes 16 and 27)	11,690	-	22,404	1
2200	Other payables (Notes 17, 21, and 27)	105,027	4	94,387	3
2230	Current tax liabilities (Notes 4 and 22)	41,012	2	-	-
2280	Lease liabilities – current (Notes 4 and 13)	1,828	-	597	-
2322	Long-term borrowings – current portion (Notes 15, 27, and 28)	133,611	5	149,501	5
2399	Other current assets (Note 17)	38,171	1	38,185	1
21XX	Total current liabilities	<u>632,191</u>	<u>23</u>	<u>734,838</u>	<u>24</u>
<b>Non-current liabilities</b>					
2540	Long-term borrowings (Notes 15, 27, and 28)	495,178	18	774,718	26
2570	Deferred tax liabilities (Notes 4 and 22)	10,305	-	11,094	1
2580	Lease liabilities – non-current (Notes 4 and 13)	2,081	-	602	-
2640	Net defined benefit liabilities (Notes 4 and 18)	5,845	-	9,798	-
2670	Other non-current liabilities	100	-	100	-
25XX	Total non-current liabilities	<u>513,509</u>	<u>18</u>	<u>796,312</u>	<u>27</u>
2XXX	Total Liabilities	<u>1,145,700</u>	<u>41</u>	<u>1,531,150</u>	<u>51</u>
<b>Equity (Notes 4, 19, and 24)</b>					
3110	Ordinary share capital	1,030,865	37	1,030,865	34
3200	Capital surplus	150,532	5	150,532	5
<b>Retained earnings</b>					
3310	Legal reserve	96,923	3	94,185	3
3320	Special reserve	44,054	2	40,336	1
3350	Undistributed earnings	359,046	13	228,753	8
3300	Total retained earnings	<u>500,023</u>	<u>18</u>	<u>363,274</u>	<u>12</u>
3400	Other equity	( 31,293 )	( 1 )	( 44,054 )	( 2 )
3500	Treasury shares	( 11,780 )	-	( 11,780 )	-
3XXX	Total equity	<u>1,638,347</u>	<u>59</u>	<u>1,488,837</u>	<u>49</u>
Total liabilities and equity		<u>\$ 2,784,047</u>	<u>100</u>	<u>\$ 3,019,987</u>	<u>100</u>

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

Chairman: Su, Chi-Tse

Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd.  
Parent Company Only Statement of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021

Unit: In NT\$ thousand,  
except for earnings per share in NT\$

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4, 20, and 27)	\$1,348,972	100	\$1,195,898	100
5000	Operating cost (Notes 9, 21, and 27)	<u>979,249</u>	<u>73</u>	<u>966,952</u>	<u>81</u>
5900	Operating gross margins	369,723	27	228,946	19
5910	Unrealized losses (gains) with subsidiaries (Note 27)	( 3,107)	-	1,931	-
5920	Realized losses with subsidiaries (Note 27)	( <u>1,931</u> )	<u>-</u>	( <u>1,561</u> )	<u>-</u>
5950	Realized gross profit	<u>364,685</u>	<u>27</u>	<u>229,316</u>	<u>19</u>
	Operating expenses (Notes 8 and 21)				
6100	Selling expenses	64,287	5	58,229	5
6200	Administrative expenses	70,075	5	59,403	5
6300	Research and development expenses	46,519	4	51,512	4
6450	Expected credit impairment losses (gains)	( <u>604</u> )	<u>-</u>	<u>1,993</u>	<u>-</u>
6000	Total operating expenses	<u>180,277</u>	<u>14</u>	<u>171,137</u>	<u>14</u>
6900	Net operating income	<u>184,408</u>	<u>13</u>	<u>58,179</u>	<u>5</u>
	Non-operating income and expenses (Notes 21 and 27)				
7010	Other income	46	-	23	-
7100	Interest income	4,423	1	4,396	-
7020	Other gains and losses	71,607	5	( 283)	-
7050	Financial costs	( 12,341)	( 1)	( 9,671)	( 1)

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Code		2022		2021	
		Amount	%	Amount	%
7060	Share of profit or loss of subsidiaries using the equity method	(\$ 40,386)	( 3)	(\$ 15,287)	( 1)
7000	Total	<u>23,349</u>	<u>2</u>	<u>( 20,822)</u>	<u>( 2)</u>
7900	Net income before tax	207,757	15	37,357	3
7950	Income tax expense (Notes 4 and 22)	<u>42,367</u>	<u>3</u>	<u>7,751</u>	<u>1</u>
8200	Net income for this year	<u>165,390</u>	<u>12</u>	<u>29,606</u>	<u>2</u>
	Other comprehensive income (Notes 18, 19, and 22)				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	2,579	-	( 2,780)	-
8349	Income tax related to items not reclassified	( 516)	-	556	-
8360	Items that may subsequently be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	44,673	3	( 12,567)	( 1)
8380	Share of other comprehensive income of subsidiaries using the equity method	( 28,722)	( 2)	7,920	1
8399	Income tax related to items that may be reclassified to profit or loss	<u>( 3,190)</u>	<u>-</u>	<u>929</u>	<u>-</u>

8300	Other comprehensive income for this year (net of tax)	<u>14,824</u>	<u>1</u>	( <u>5,942</u> )	<u>-</u>
8500	Total comprehensive income for this year	<u>\$ 180,214</u>	<u>13</u>	<u>\$ 23,664</u>	<u>2</u>
	Earnings per share (Note 23)				
9710	Basic	<u>\$ 1.62</u>		<u>\$ 0.29</u>	
9810	Diluted	<u>\$ 1.61</u>		<u>\$ 0.29</u>	

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

Chairman: Su, Chi-Tse

General Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd.  
Parent Company Only Statement of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		Ordinary share capital	Capital surplus	Retained earnings			Total	Other equity	Treasury shares	Total equity
				Legal reserve	Special reserve	Undistributed earnings		Exchange differences arising from the translation of the financial statements of foreign operations		
A1	Balance as of January 1, 2021	<u>\$1,030,865</u>	<u>\$ 145,471</u>	<u>\$ 93,628</u>	<u>\$ 42,026</u>	<u>\$ 230,776</u>	<u>\$ 366,430</u>	<u>(\$ 40,336)</u>	<u>(\$ 22,477)</u>	<u>\$1,479,953</u>
	Earnings appropriation and distribution for 2020 (Note 19)									
B1	Legal reserve	-	-	557	-	( 557)	-	-	-	-
B3	Special reserve	-	-	-	( 1,690)	1,690	-	-	-	-
B5	Cash dividend	-	-	-	-	( 30,538)	( 30,538)	-	-	( 30,538)
		-	-	557	( 1,690)	( 29,405)	( 30,538)	-	-	( 30,538)
N1	Share-based payment transactions (Notes 19 and 24)	-	5,061	-	-	-	-	-	10,697	15,758
D1	Net income for 2021	-	-	-	-	29,606	29,606	-	-	29,606
D3	Other comprehensive income after tax for 2021	-	-	-	-	( 2,224)	( 2,224)	( 3,718)	-	( 5,942)
D5	Total comprehensive income for 2021	-	-	-	-	27,382	27,382	( 3,718)	-	23,664
Z1	Balance as of December 31, 2021	<u>1,030,865</u>	<u>150,532</u>	<u>94,185</u>	<u>40,336</u>	<u>228,753</u>	<u>363,274</u>	<u>( 44,054)</u>	<u>( 11,780)</u>	<u>1,488,837</u>
	Earnings appropriation and distribution for 2021 (Note 19)									
B1	Legal reserve	-	-	2,738	-	( 2,738)	-	-	-	-
B3	Special reserve	-	-	-	3,718	( 3,718)	-	-	-	-
B5	Cash dividend	-	-	-	-	( 30,704)	( 30,704)	-	-	( 30,704)
		-	-	2,738	3,718	( 37,160)	( 30,704)	-	-	( 30,704)
D1	Net income for 2022	-	-	-	-	165,390	165,390	-	-	165,390
D3	Other comprehensive income after tax for 2022	-	-	-	-	2,063	2,063	12,761	-	14,824
D5	Total comprehensive income for 2022	-	-	-	-	167,453	167,453	12,761	-	180,214
Z1	Balance as of December 31, 2022	<u>\$1,030,865</u>	<u>\$ 150,532</u>	<u>\$ 96,923</u>	<u>\$ 44,054</u>	<u>\$ 359,046</u>	<u>\$ 500,023</u>	<u>(\$ 31,293)</u>	<u>(\$ 11,780)</u>	<u>\$1,638,347</u>

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

Chairman: Su, Chi-Tse

General Manager: Su, Chi-Hu Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd.  
Parent Company Only Statement of Cash Flows  
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax	\$207,757	\$ 37,357
A20010	Income and expense items		
A20100	Depreciation expenses	88,675	93,898
A20200	Amortization expenses	5,349	5,094
A20300	Expected credit impairment losses (gains)	( 604 )	1,993
A20400	Gain on financial assets at fair value through profit or loss	66	( 5 )
A20900	Financial costs	12,341	9,671
A21200	Interest income	( 4,423 )	( 4,396 )
A21300	Dividend income	( 46 )	( 23 )
A21900	Cost of employee stock options	-	5,043
A22400	Share of profit or loss of subsidiaries using the equity method	40,386	15,287
A22500	Gain on disposal of property, plant and equipment	( 4,496 )	( 15,177 )
A23700	Inventory loss	15,469	1,523
A23900	Unrealized gains (losses) with subsidiaries	3,107	( 1,931 )
A24000	Realized losses with subsidiaries	1,931	1,561
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	( 26 )	399
A31150	Accounts receivable	98,731	( 111,496 )
A31160	Accounts receivables – related party	3,265	35,054
A31180	Other receivables	( 17,697 )	32,091
A31200	Inventory	( 55,117 )	( 83,284 )
A31240	Other current assets	124	3,414
A32125	Contract liabilities	13,893	( 235 )
A32130	Notes payable	( 3,187 )	5,300
A32150	Accounts payable	( 59,618 )	92,841
A32160	Accounts payable – related party	( 10,714 )	10,317
A32180	Other payables	13,444	34,405
A32230	Other current liabilities	( 14 )	( 722 )
A32240	Net defined benefit liability	( 1,374 )	( 1,563 )
A33000	Cash from operations	347,222	166,416
A33100	Interest received	4,710	4,651
A33200	Dividends received	46	23

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Code		2022	2021
A33300	Interest paid	(\$ 12,597)	(\$ 10,614)
A33500	Income tax paid	( 571)	( 2,299)
AAAA	Net cash inflow from operating activities	<u>338,810</u>	<u>158,177</u>
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	( 60,165)	( 42,030)
B02800	Proceeds from disposal of property, plant and equipment	38,188	24,033
B04500	Acquisition of intangible assets	( 876)	( 6,437)
B05900	Decrease in other receivables – related party	19,856	38,706
B06500	Increase in other financial assets	( 1,019)	-
B06600	Decrease in other financial assets	<u>-</u>	<u>228</u>
BBBB	Net cash inflows (outflows) from investing activities	( 4,016)	<u>14,500</u>
	Cash flows from financing activities		
C00100	Decrease in short-term borrowings	( 80,000)	( 50,000)
C01600	Long-term borrowings	525,000	560,000
C01700	Repayment of long-term borrowings	( 820,430)	( 479,561)
C04020	Repayment of principal of lease liabilities	( 1,639)	( 1,378)
C04500	Cash dividend paid out	( 30,704)	( 30,538)
C05000	Treasury shares transferred to employees	<u>-</u>	<u>10,715</u>
CCCC	Net cash inflows (outflows) from financing activities	( 407,773)	<u>9,238</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( 72,979)	181,915
E00100	Opening balance of cash and cash equivalents	<u>380,048</u>	<u>198,133</u>
E00200	Ending balance of cash and cash equivalents	<u>\$307,069</u>	<u>\$380,048</u>

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

Chairman: Su, Chi-Tse

General Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd.  
Notes to Parent Company Only Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(In NT\$ thousand, unless otherwise specified)

I. Company History

Tsang Yow Industrial Co., Ltd. (hereinafter referred to as “the Company”) was incorporated in January 1985 and mainly engages in the business activities below:

- (I) Manufacturing and wholesale of other machinery (automatic transmission and drivetrain systems).
- (II) Manufacturing and wholesale of ships and parts
- (III) Manufacturing and wholesale of automobiles and parts.
- (IV) Manufacturing and wholesale of other machinery and devices (automatic transmission and drivetrain systems).

The Company’s stock has been listed and traded on the Taiwan Stock Exchange since May 2014.

The parent company only financial statements are presented in the Company’s functional currency, i.e. New Taiwan dollar (NTD).

II. Date and Procedures for Approval of Financial Statements

The parent company only financial statements were published after being approved by the Board of Directors on March 15, 2023.

III. Application of New and Revised Standards and Interpretation

- (I) Initial application of the IFRSs endorsed and issued into effect by the FSC

The application of the IFRSs endorsed and issued into effect by the FSC will not cause a material change in the accounting policies of the Company.

- (II) Application of IFRSs endorsed by FSC in 2023

New/amended/revised standards or interpretation	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 apply to the annual reporting periods beginning after January 1, 2023.

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

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations as of January 1, 2022, these amendments to transaction that occur after January 1, 2022.

By the time the parent company only financial statements were approved by the Board of Directors and released, the Company confirmed that the amendments to other standards and interpretations would not cause a material impact on its financial position and financial performance.

(III) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/amended/revised standards or interpretation</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
Amendments to IFRS 16, “Lease 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 17 and IFRS 9 – 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 otherwise noted, the above new/revised/amended standards and interpretations take effect in their respective annual reporting periods beginning on or after their respective dates.

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the date the parent company only financial statements were approved by the Board of Directors and released, the Company has continued to evaluate the effect of the amendments to other standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### (II) Basis of preparation

The parent company only financial statements were prepared on the historical cost basis, except for financial instruments at fair value and net defined benefit liabilities recognized at the present values of defined benefit obligations, less the fair values of plan assets.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

When preparing the parent company only financial statements, the Company adopted the equity method to recognize investments in subsidiaries. To enable the amounts of this year's profit or loss, other comprehensive income, and equity in the parent company only financial statements to be the same as the ones attributable to the owners of the Company, other comprehensive income, and equity in the consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidation basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss of subsidiaries using the equity method, the share of other comprehensive

income of subsidiaries using the equity method, as well as relevant equity items, as appropriate.

(III) Criteria for 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 balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Foreign currencies

When the financial statements of each individual entity in the Company were prepared, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Foreign currency non-monetary items at fair value are translated at the exchange rate on the date when the fair value is determined, and the resulting exchange differences are recognized in current profit or loss; however, regarding changes in fair values recognized in other comprehensive income, the resulting exchange differences are recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When the parent company only financial statements were prepared, the assets and liabilities of the Company's foreign operations (including subsidiaries operating in a country and using a currency different from that of the Company) were translated into New Taiwan dollars (NTD) at the exchange rate prevailing on each balance sheet date. Income and expense items are translated at the year's average exchange rate, and the resulting exchange differences are recognized in other comprehensive income.

(V) Inventory

Inventory includes raw materials, supplies, work in process, and finished goods. The value of inventory is measured at the lower of weighted average cost or net realizable value. The comparison of the cost and net realizable value is based on individual items except for the same category of inventory. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventory is calculated using the weighted average method.

(VI) Investment in subsidiaries

The Company adopts the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss, other comprehensive income, and profit margins of the subsidiaries. Moreover, the Company recognizes the movements in its share of other equity of subsidiaries based on the shareholding.

Movements in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the amount of investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized. The impairment loss attributable to goodwill shall not be reversed in subsequent periods.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the parent company only financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(VII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost, less accumulated impairment loss. The cost includes professional service expenses and the borrowing costs eligible for capitalization. Such assets are classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation begins.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Company conducts at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Intangible assets

1. Separate acquisition

Intangible assets with finite useful lives that are acquired separately (mainly computer software and patents) are initially measured at cost and subsequently measured at cost, less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively.

## 2. Derecognition

When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in current profit or loss.

## (IX) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Company assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use assets, and intangible assets at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs. Shares assets are apportioned to individual cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the cash-generating unit, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

## (X) Financial instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Company are those measured at fair value through profit or loss and financial assets at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those that are measured mandatorily at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated to be measured at fair value through other comprehensive income as well as investments in debt instruments that do not qualify for measurement at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value with dividends and remeasurement gains or losses recognized in “other income” and “other gains and losses,” respectively. See Note 26 for the method of determining the fair value.

B. Financial assets at amortized cost

If the financial assets, in which the Company invests, are aligned with both the following two criteria, such assets are classified as financial assets measured at amortized cost:

- a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
- b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable at amortized cost, accounts receivable (including related parties), other receivables (including related parties), and other financial assets), after initial recognition, are measured at the amortized cost of the gross carrying amount determined using the effective interest method, less any impairment losses. Any foreign exchange gains or losses are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of financial assets.

Credit-impaired financial assets means that the issuer or debtor has experienced material financial difficulties or default, and the debtor is likely to file for bankruptcy or other financial restructuring, or the active market for such financial assets has disappeared due to the financial difficulties.

Cash equivalents, including time deposits, are highly liquid and readily convertible into a fixed amount of cash at any time while featuring little risk of value changes and can be used to meet short-term cash commitments within three months from the acquisition date.

## (2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including notes and accounts receivable) based on the expected credit loss at each balance sheet date.

An allowance for losses on notes and accounts receivable is recognized on the basis of expected credit loss over the duration of the receivables. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial

recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month expected credit loss. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- A. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- B. It is overdue for more than 180 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

### (3) Derecognition of financial assets

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

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss.

## 2. Equity instruments

Equity instruments issued by the Company are recognized at the proceeds received, less the cost of direct issue.

The Company's equity instruments repurchased are recognized and debited to equity. The purchase, sale, issue, or cancellation of the Company's equity instruments are not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

(XI) Revenue recognition

After the Company identifies its performance obligations in contracts with clients, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Merchandise sales revenue

Merchandise sales revenue is mainly from the sales of automatic transmission components. As the merchandise arrives at/is delivered to the location designated by a client, the client has the right to set the price and use the merchandise and assume the main responsibility for reselling the merchandise, while bearing the risk of obsolescence of the merchandise, upon which the Company recognizes it in revenue and accounts receivable.

Revenue is measured at the fair value of the consideration received or receivable, less estimated returns, discounts, and other similar discounts. Returns and discounts are recognized at reasonable estimates of the monetary amount of future returns based on the past experience and other relevant factors.

For outsourced processing with raw materials supplied by the Group, as the control over the ownership of the processed goods has not been transferred, it is not recognized in revenue when the raw materials are supplied.

Service income

The income from processing on order is recognized in revenue when the performance obligation is satisfied over time.

(XII) Leasing

The Company assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract.

The Company as a lessor

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

The right-of-use assets are initially measured at cost (including the initially measured amount of a lease liability, the lease payment paid before the lease commencement date, less lease incentives received, the initial direct cost, and the estimated cost of restoring the underlying asset) and subsequently measured at cost, less accumulated depreciation and accumulated impairment loss, with the remeasurement of the lease liability adjusted. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

A lease liability is initially measured at the present value of the lease payment (fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the amount of the fixed payment and the lease term lead to changes in future lease payments, the Company 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 has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(XIII) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are included as part of the cost of the asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Except for the above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XIV) Government grants

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

Government grants related to income are recognized in other income on a systematic basis during the periods, in which the Company recognizes the relevant costs, for which the grants are intended to offset, in expenses.

Government grants are recognized in profit or loss during the period, in which they can be received, if they are used to offset incurred expenses or losses or for the purpose of providing immediate financial support to the Company without relevant costs to be incurred in the future.

(XV) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and rereasurement) is calculated based on the projected unit credit method. The service costs and net interest on net defined benefit assets are recognized in employee benefit expenses when incurred. The rereasurement (including actuarial gains and losses and plan asset remuneration net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss after the balance sheet date.

The net defined benefit liability is the contribution deficit in the defined benefit pension plan.

(XVI) Share-based payment agreement

Employee stock options granted to employees

Employee stock options are recognized in expenses at the fair values of the equity instruments on the grant date and the best estimate of the number of equity instruments that will vest during the vesting period on a straight-line basis, while “capital surplus – employee stock options” is adjusted accordingly. If it is immediately vested on the grant date, the full amount is recognized in expenses on the grant date. The Company transfers treasury shares to employees, and the date of approval by the Board of Directors is adopted as the grant date.

(XVII) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The Company calculates the current income (loss) in accordance with the laws and regulations formulated by the authority of the R.O.C, to which an income tax return should be filed, and calculates the income tax payable (recoverable) accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are recognized when it is probable that future taxable income will be available against the income tax credits arising from the deductible temporary differences and carryforward of the unused losses.

Taxable temporary differences associated with investments in subsidiaries are recognized in deferred liabilities, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from the deductible temporary differences related to said investments are recognized in deferred tax assets only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Company at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

### 3. Current and deferred taxes

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 credited to equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly credited to equity.

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

When the Company adopts accounting policies, the management is required to make judgments, estimates and assumptions that are based on historical experience and

other factors that are not readily apparent from other sources. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If a revision of an estimate affects only the current year, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current year and future periods, it is recognized in the year in which it is revised and in the future periods.

Estimations and Main Sources of Assumption Uncertainties

(I) Estimated impairment of financial assets

The estimated impairment of receivables is based on the Company's assumptions about the probability of default and loss given default. The Company makes assumptions and selects inputs for impairment assessments based on historical experience, real-time market conditions, and forward-looking information. See Note 8 for critical assumptions and inputs adopted. If the future cash flow is less than expected, significant impairment losses may arise.

(II) Impairment of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Such estimates are made based on the real-time market conditions and historical sales of similar products, and changes in such market conditions may significantly affect the results of such estimates.

VI. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 570	\$ 403
Checking and demand deposits in bank	168,701	281,964
Cash equivalents		
Demand deposit in bank with initial duration of more than 3 months	<u>137,798</u>	<u>97,681</u>
	<u>\$307,069</u>	<u>\$380,048</u>

The range of annual rate of interest of cash equivalents on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits in bank (%)	1.45–4.80	0.27–2.40

The credit ratings of the financial institutions, with which the Company deals are great, and the Company deals with multiple financial institutions at the same time to diversify the risk, so the probability of default is expected to be very low.

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets – current</u> Mandatorily at fair value through profit or loss		
Non-derivative financial assets – domestic listed stocks	<u>\$443</u>	<u>\$509</u>

VIII. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable – from business operations		
At amortized cost	<u>\$ 64</u>	<u>\$ 38</u>
Accounts receivable – from business operations		
At amortized cost		
Gross carrying amount (including related parties)	\$217,593	\$319,589
Less: Allowance for losses	<u>1,729</u>	<u>2,333</u>
	<u>\$215,864</u>	<u>\$317,256</u>

The Company's average credit period for the merchandize sales is 15–140 days. To mitigate the credit risk, the Company's management assigns a team dedicated to determining and approving clients' credit lines and carrying out other monitoring procedures to ensure that appropriate actions have been taken to recover overdue account receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been recognized for the uncollectible receivables. With this in mind, the Company's management believes that the credit risk has been significantly reduced.

The Company recognizes an allowance for losses on accounts receivable on the basis of lifetime expected credit losses. Lifetime expected credit losses are

calculated using a provision matrix based on each client's past default records, current financial position, economic situation in the industry, and industry outlook. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different groups of clients, the groups of clients were not further differentiated in the provision matrix, and only expected credit loss ratio was set based on the number of days for which accounts receivable was past due.

When there was evidence indicating that the counterparty was in severe financial difficulty and the Company could not reasonably expect the amount to be recovered, the Company would write off relevant receivables and continue to collect the overdue receivables. The receivable recovered was recognized in profit or loss.

The table below shows the allowance for losses on receivables based on the Company's provision matrix:

December 31, 2022

	Not past due	Past due by 1-30 days	Past due by 31-90 days	Past due by 90 days or more	Total
Expected credit loss (%)	-	1	5~25	50~100	
Gross carrying amount	\$177,895	\$ 28,718	\$ 8,524	\$ 2,520	\$217,657
Allowance for losses (lifetime expected credit losses)	-	( 261)	( 1,317)	( 151)	( 1,729)
Amortized cost	<u>\$177,895</u>	<u>\$ 28,457</u>	<u>\$ 7,207</u>	<u>\$ 2,369</u>	<u>\$215,928</u>

December 31, 2021

	Not past due	Past due by 1-30 days	Past due by 31-90 days	Past due by 90 days or more	Total
Expected credit loss (%)	-	1	5~25	50~100	
Gross carrying amount	\$233,970	\$ 52,453	\$ 31,901	\$ 1,303	\$319,627
Allowance for losses (lifetime expected credit losses)	-	( 492)	( 889)	( 952)	( 2,333)
Amortized cost	<u>\$233,970</u>	<u>\$ 51,961</u>	<u>\$ 31,012</u>	<u>\$ 351</u>	<u>\$317,294</u>

The information on the movement in the allowances for losses on receivables is as follows:

	2022	2021
Opening balance	\$ 2,333	\$ 340
Impairment loss recognized	( 604)	1,993

(reversed) for this year		
Ending balance	<u>\$ 1,729</u>	<u>\$ 2,333</u>

IX. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$201,459	\$139,667
Work in progress	140,009	141,209
Raw materials	63,645	77,626
Supplies	<u>27,625</u>	<u>34,588</u>
	<u>\$432,738</u>	<u>\$393,090</u>

The costs of sales related to inventories for 2022 and 2021 were NT\$979,008 thousand and NT\$966,952 thousand, respectively, including

	<u>2022</u>	<u>2021</u>
Inventory valuation loss (gain on inventory value recovery)	\$ 11,684	(\$ 6,842)
Loss on inventory scrapped	4,949	8,422
Income from sales of scrap	( 13,236)	( 21,764)
Gain on physical inventory	<u>( 1,164)</u>	<u>( 57)</u>
	<u>\$ 2,233</u>	<u>(\$ 20,241)</u>

The gain on inventory value recovery above is caused by the recovery of the market price of the inventory.

X. Other financial assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pledged time deposits (Note 28)	\$ 10,140	\$ 9,799
Guarantee deposits paid	<u>1,736</u>	<u>1,058</u>
	<u>\$ 11,876</u>	<u>\$ 10,857</u>
Current	\$ 9,640	\$ 9,299
Non-current	<u>2,236</u>	<u>1,558</u>
	<u>\$ 11,876</u>	<u>\$ 10,857</u>

The range of annual rate of interest of pledged time deposits on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits in bank (%)	1.33~1.45	0.76~2.38

The credit ratings of the financial institutions, with which the Company deals are great, and the Company deals with multiple financial institutions at the same time to diversify the risk, so the probability of default is expected to be very low.

#### XI. Investment Using Equity Method

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Amount	Shareholding (%)	Amount	Shareholding (%)
<u>Investment in subsidiaries</u>				
Unlisted companies				
Giant Finance Inc. (Giant)	\$ 422,736	100	\$ 455,691	100
All-Aspect International Corp. (AAI)	<u>31,690</u>	100	<u>28,208</u>	100
	<u>\$ 454,426</u>		<u>\$ 483,899</u>	

See Tables 5 and 6 for information on the Company's investees and investment in entities in China.

#### XII. Property, plant and equipment

(I) The movements in costs and accumulated depreciation are as follows:

2022

Cost	Land	Buildings	Machinery and equipment	Other equipment	Equipment to be accepted and unfinished construction	Total
Balance as of January 1, 2022	\$ 317,004	\$ 549,659	\$ 693,278	\$ 118,023	\$ 33,858	\$ 1,711,822
Additions	-	-	7,873	70,533	( 16,042)	62,364
Disposal	-	-	( 38,101)	( 56,617)	-	( 94,718)
Balance as of December 31, 2022	<u>\$ 317,004</u>	<u>\$ 549,659</u>	<u>\$ 663,050</u>	<u>\$ 131,939</u>	<u>\$ 17,816</u>	<u>\$ 1,679,468</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2022	\$ -	\$ 158,304	\$ 270,663	\$ 54,074	\$ -	\$ 483,041
Depreciation expenses	-	11,587	57,629	17,805	-	87,021
Disposal	-	-	( 38,101)	( 22,925)	-	( 61,026)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 169,891</u>	<u>\$ 290,191</u>	<u>\$ 48,954</u>	<u>\$ -</u>	<u>\$ 509,036</u>
Balance as of December 31, 2022	<u>\$ 317,004</u>	<u>\$ 379,768</u>	<u>\$ 372,859</u>	<u>\$ 82,985</u>	<u>\$ 17,816</u>	<u>\$ 1,170,432</u>

2021

Land	Buildings	Machinery and equipment	Other equipment	Equipment to be accepted	Total
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Cost	equipment				and unfinished construction	
Balance as of January 1, 2021	\$ 317,004	\$ 552,767	\$ 733,030	\$ 178,795	\$ 106,021	\$ 1,887,617
Additions	-	-	124,358	13,478	( 72,163)	65,673
Disposal	-	( 3,108)	( 164,110)	( 74,250)	-	( 241,468)
Balance as of December 31, 2021	<u>\$ 317,004</u>	<u>\$ 549,659</u>	<u>\$ 693,278</u>	<u>\$ 118,023</u>	<u>\$ 33,858</u>	<u>\$ 1,711,822</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2021	\$ -	\$ 149,824	\$ 379,142	\$ 94,167	\$ -	\$ 623,133
Depreciation expenses	-	11,588	55,624	25,308	-	92,520
Disposal	-	( 3,108)	( 164,103)	( 65,401)	-	( 232,612)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 158,304</u>	<u>\$ 270,663</u>	<u>\$ 54,074</u>	<u>\$ -</u>	<u>\$ 483,041</u>
Balance as of December 31, 2021	<u>\$ 317,004</u>	<u>\$ 391,355</u>	<u>\$ 422,615</u>	<u>\$ 63,949</u>	<u>\$ 33,858</u>	<u>\$ 1,228,781</u>

(II) Useful lives

The Company's property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings

Main buildings of plants	50 years
Landscape engineering and fences	7–15 years
Machinery and equipment	3–15 years
Other equipment	5–15 years

Please refer to Note 28 for the amount of property, plant and equipment, pledged by the Company as collateral for borrowings.

(III) Investing activities that affect both cash and non-cash items are as follows:

	2022	2021
Increase in property, plant and equipment	\$ 62,364	\$ 65,673
Decrease in prepayments for business facilities	( 4,747)	( 20,860)
Interest capitalization	( 390)	( 877)
Decrease in notes payable	-	-
Decrease (increase) in payables for machinery and equipment	<u>2,938</u>	<u>( 1,906)</u>
Cash paid for purchase of property, plant and equipment	<u>\$ 60,165</u>	<u>\$ 42,030</u>

XIII. Lease agreements

(I) Right-of-use assets

Carrying amount of	<u>December 31, 2022</u>	<u>December 31, 2021</u>
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right-of-use assets		
Transportation equipment	<u>\$ 3,886</u>	<u>\$ 1,191</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 4,349</u>	<u>\$ 1,295</u>
Right-of-use asset depreciation expense		
Transportation equipment	<u>\$ 1,654</u>	<u>\$ 1,378</u>

Except for the above additions and depreciation expenses recognized, there were no major subleases and impairments of the Company's right-of-use assets during 2022 and 2021.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 1,828</u>	<u>\$ 597</u>
Non-current	<u>\$ 2,081</u>	<u>\$ 602</u>

The range of discount rates (%) for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Transportation equipment	1.37~1.38	1.37~1.75

(III) Other leasing information

	<u>2022</u>	<u>2021</u>
Low-value asset lease expenses	<u>\$ 240</u>	<u>\$ 240</u>
Total cash outflows from leases	<u>\$ 1,929</u>	<u>\$ 1,638</u>

The Company has elected to apply the recognition exemptions to the leasing of photocopiers that qualify as low-value asset leases and does not recognize such leases in relevant right-of-use assets and lease liabilities.

XIV. Other current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Excess business tax paid	\$ 4,695	\$ 6,269

Prepaid expenses	2,335	2,227
Prepayments to suppliers	1,000	368
Others	<u>2,474</u>	<u>1,764</u>
	<u>\$10,504</u>	<u>\$10,628</u>

XV. Borrowings

(I) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank borrowings		
Unsecured borrowings	<u>\$100,000</u>	<u>\$180,000</u>

The rates of annual interest on the above short-term borrowings are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured borrowings in bank (%)	1.40~1.55	0.85~0.89

(II) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings (Note 28)	\$467,143	\$567,263
Unsecured borrowings	<u>161,646</u>	<u>356,956</u>
	628,789	924,219
Less: Current portion	<u>133,611</u>	<u>149,501</u>
Long-term borrowings	<u>\$495,178</u>	<u>\$774,718</u>

Details are as follows:

<u>Borrowings</u>	<u>Due date</u>	<u>Major terms</u>	<u>Rate of annual interest (%)</u>	<u>December 31, 2022</u>	<u>December 31, 2022</u>
Secured borrowings					
First Commercial Bank	2025.12	It will be amortized in 12 installments (each installment is made every six months) since June 2020.	1.85	\$ 170,000	\$ 190,000
First Commercial Bank	2024.01	It was amortized in 48 monthly installments from February 2020.	1.45	-	40,625
E.SUN Bank	2033.11	It was amortized in 156 installments from December 2020.	1.68	89,302	96,827
Mega International Commercial Bank	2028.11	It was amortized in 120 installments from December 2018.	1.73	88,750	103,750
The Shanghai Commercial & Savings Bank, Ltd.	2028.03	It was amortized in 40 installments from June 2018.	1.78	89,091	106,061
The Shanghai Commercial & Savings Bank, Ltd.	2024.10	It was amortized in 20 installments from January 2020.	1.78	20,000	30,000
The Shanghai	2027.08	It began from August 2022	1.78	10,000	-

	Commercial & Savings Bank, Ltd.		with the grace period of one year and was amortized in 16 installments from November 2023.			
Unsecured borrowings						
First Commercial Bank	2022.01	Revolving credit line	1.91	-	140,000	
Mega International Commercial Bank	2023.11	Revolving credit line	1.68	40,000	80,000	
E.SUN Bank	2024.09	It was amortized in 36 monthly installments from October 2021.	1.53	64,646	100,956	
E.SUN Bank	2025.12	It was amortized in 36 monthly installments from January 2023.	1.53	45,000	-	
Taipei Fubon Bank	2023.06	It was amortized in 30 monthly installments from January 2021.	1.81	12,000	36,000	
				<u>\$ 628,789</u>	<u>\$ 924,219</u>	

XVI. Notes and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes payable	<u>\$ 7,709</u>	<u>\$ 10,896</u>
Accounts payable (including related parties)	<u>\$186,446</u>	<u>\$256,778</u>

The above payments are all incurred due to business operations. The credit period for raw material purchases is 30 to 120 days. The Company has a financial risk management policy in place to ensure that all payables are repaid within the pre-agreed credit period.

XVII. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other payables</u>		
Salary and wages and bonuses payable	\$ 42,162	\$ 39,199
Bonus payable for unused paid leave	9,554	10,054
Payables for machinery and equipment	6,245	9,183
Remuneration payable to employees and directors (Note 21)	18,312	3,293
Others	<u>28,754</u>	<u>32,658</u>
	<u>\$105,027</u>	<u>\$ 94,387</u>
Non-related parties	\$104,845	\$ 94,072
Related parties	<u>182</u>	<u>315</u>
	<u>\$105,027</u>	<u>\$ 94,387</u>

Other current liabilities

Refund liabilities	\$ 904	\$ 1,122
Temporary credits	1,776	1,776
Other advance receipts	35,220	33,982
Others	271	1,305
	<u>\$ 38,171</u>	<u>\$ 38,185</u>

#### XVIII. Post-employment benefit plan

##### (I) Defined contribution pension plan

The Company adopted a pension scheme under the Labor Pension Act, which is a government-managed defined contribution plan. Under the act, the Company makes monthly contributions, equal to 6% of their monthly salary and wages, to employees' individual pension accounts under the Bureau of Labor Insurance.

##### (II) Defined benefit plan

The pension scheme adopted by the Company in accordance with the Labor Standards Act of R.O.C. is a government-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the six months prior to the approved retirement date. The Company makes a contribution, equal to a certain percentage of the total monthly employee salaries, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits to employees who meet the retirement requirements in the following year, the Group will make a contribution to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence its investment management strategy.

The amounts included in the parent company only balance sheets in respect of such defined benefit plans are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 14,079	\$ 16,363
Fair value of plan assets	( <u>8,234</u> )	( <u>6,565</u> )
Net defined benefit liability	<u>\$ 5,845</u>	<u>\$ 9,798</u>

The movements in the net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2021	<u>\$ 18,600</u>	<u>(\$ 10,019)</u>	<u>\$ 8,581</u>
Service costs			
Current service costs	44	-	44
Interest expense (income)	<u>55</u>	<u>( 28)</u>	<u>27</u>
Recognized in profit or loss	<u>99</u>	<u>( 28)</u>	<u>71</u>
Remeasurement			
Return on plan assets	-	( 404)	( 404)
Actuarial loss – experience adjustments	3,128	-	3,128
Actuarial loss – changes in demographic assumptions	717	-	717
Actuarial gain – changes in financial assumptions	<u>( 661)</u>	<u>-</u>	<u>( 661)</u>
Recognized in other comprehensive income	<u>3,184</u>	<u>( 404)</u>	<u>2,780</u>
Employer’s contributions	<u>-</u>	<u>( 1,634)</u>	<u>( 1,634)</u>
Benefit payment	<u>( 5,520)</u>	<u>5,520</u>	<u>-</u>
Balance as of December 31, 2021	<u>16,363</u>	<u>( 6,565)</u>	<u>9,798</u>
Interest expense (income)	<u>110</u>	<u>( 42)</u>	<u>68</u>
Recognized in profit or loss	<u>110</u>	<u>( 42)</u>	<u>68</u>
Remeasurement			
Return on plan assets	-	( 796)	( 796)
Actuarial gain – experience adjustments	( 941)	-	( 941)
Actuarial gain – changes in financial assumptions	<u>( 842)</u>	<u>-</u>	<u>( 842)</u>
Recognized in other comprehensive income	<u>( 1,783)</u>	<u>( 796)</u>	<u>( 2,579)</u>
Employer’s contributions	<u>-</u>	<u>( 1,442)</u>	<u>( 1,442)</u>
Benefit payment	<u>( 611)</u>	<u>611</u>	<u>-</u>

Balance as of December 31, 2022	<u>\$ 14,079</u>	<u>(\$ 8,234)</u>	<u>\$ 5,845</u>
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The Company is exposed to the following risks due to the pension scheme stem under the Labor Standards Act:

1. Investment risk

The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits for its own use and through agencies entrusted. However, the income from the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for two-year time deposits.

2. Interest risk

A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.

3. Salary risk

The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. Therefore, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.4	0.75
Expected salary increase (%)	1.5	1.50

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	<u>(\$ 330)</u>	<u>(\$ 419)</u>

Decrease by 0.25%	<u>\$341</u>	<u>\$435</u>
Expected salary increase (%)		
Increase by 0.25%	<u>\$330</u>	<u>\$419</u>
Decrease by 0.25%	<u>(\$321)</u>	<u>(\$406)</u>

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The expected contributions to the plan for the following year	<u>\$ 2,133</u>	<u>\$ 1,474</u>
The weighted average duration of the defined benefit obligations	11 years	12 years

#### XIX. Equity

##### (I) Ordinary share capital

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital stock	<u>\$1,500,000</u>	<u>\$1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>103,087</u>	<u>103,087</u>
Share capital already publicly offered	<u>\$1,030,865</u>	<u>\$1,030,865</u>

The ordinary shares issued are at a par value of NT\$10 per share, and each share is entitled to one vote and receive dividends.

##### (II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset losses, pay out cash, or capitalize equity		
<u>Additional paid-in capital</u>		
– issuance of shares	<u>\$145,471</u>	<u>\$145,471</u>
Treasury shares traded	<u>5,061</u>	<u>5,061</u>

\$150,532

\$150,532

Note: Such capital surplus may be used to offset losses or, when the Company has no losses, to pay out cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

As per the earnings distribution policy under the Articles of Incorporation, where the Company makes a profit for a fiscal year, the profit shall be first used for paying the tax in accordance with the laws and regulations, offsetting the cumulative deficit, providing 10% of the remaining profit as a legal reserve, providing an amount for or reversing a special reserve in accordance with the laws and regulations or operational needs; and then any remaining profit, together with any cumulative undistributed retained earnings, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution of dividends to shareholders.

In addition, in accordance with the Articles of Incorporation, when the dividends and bonuses are paid out in cash, it shall be adopted by supermajority resolution of the Board of Directors and reported to the shareholders' meeting.

The Company will consider the industry condition and the growth stage of the Company to meet capital needs and cash flow demands from the shareholders in alignment with the long-term financial plan. Therefore, a certain percentage of distributable earnings will be provided for shareholder dividends, of which the cash dividends shall not be lower than 10% of all dividends to be paid out. The types and percentages of such dividends may be adjusted depending on the year's profit and capital needs by the resolution of the shareholders' meeting.

An amount shall be provided to the legal reserve, unless the balance reaches the amount of the Company's total paid-in capital. The legal reserve may be used to offset losses. If there is no loss, when the amount of the legal reserve is 25% more than the paid-in capital, it can be used to contribute to the share capital and paid out in cash.

The Company's 2021 and 2020 earnings distribution proposals are as follows:

	Earnings distribution proposals		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$ 2,738	\$ 557		
Special reserve (reversed)	3,718	( 1,690)		
Cash dividend to shareholders	30,704	30,538	\$ 0.30	\$ 0.30

The distribution of the above cash dividends has been approved by the resolutions of the Board of Directors in March 2022 and March 2021, respectively, and the rest of the items distributed from the earnings were also approved by the resolution of the general shareholders' meetings in June 2022 and July 2021, respectively.

The 2022 earnings distribution proposal made by the Board of Directors in March 2023 is as follows:

	Earnings distribution proposals	Dividend per share (NTD)
Legal reserve	\$ 16,745	
Special reserve (reversed)	( 12,761)	
Cash dividend to shareholders	112,581	\$ 1.10

The distribution of the above cash dividends has been approved by the resolution of the Board of Directors, and the remaining items are pending resolution by the general shareholders' meeting scheduled to be held in June 2023.

#### (IV) Special reserve

The special reserve of NT\$19,782 thousand, which was provided for the exchange differences arising from the translation of the financial statements of foreign operations due to the application of IFRSs for the first time, will be reversed in proportion to the Company's disposal of foreign operations. When the Company loses significant influence, it will all be reversed. When the earnings are distributed, a special reserve should be provided for the difference between the net deduction of other equity items at the end of the reporting period and the special reserve provided due to the application of IFRSs for the

first time. If there is a subsequent reversal of the net deduction of other equity items, the earnings may be distributed for the reversed portion.

(V) Other equity – exchange differences arising from the translation of the financial statements of foreign operations

	<u>2022</u>	<u>2021</u>
Opening balance	(\$ 44,054)	(\$ 40,336)
Exchange differences arising from the translation of the financial statements of foreign operations	44,673	( 12,567)
Share of exchange differences of subsidiaries using the equity method	( 28,722)	7,920
Relevant income taxes	( 3,190)	<u>929</u>
Ending balance	<u>(\$ 31,293)</u>	<u>(\$ 44,054)</u>

(VI) Treasury shares

	<u>Shares transferred to employees</u>	
	<u>In thousands of shares</u>	<u>Amount</u>
Balances as of January 1, 2022 and December 31, 2022	<u>740</u>	<u>\$ 11,780</u>
Balance as of January 1, 2021	1,294	\$ 22,477
Transferred during this year	( <u>554</u> )	( <u>10,697</u> )
Balance as of December 31, 2021	<u>740</u>	<u>\$ 11,780</u>

The Company transferred the treasury shares to employees by the resolution of the Board of Directors on May 10, 2021 (grant date). A total of 554,000 treasury shares were transferred, and the cost of repurchase was NT\$10,697 thousand. The Company has recognized the cost of employee remuneration of NT\$5,043 thousand on the grant date and transferred 554,000 shares to employees at a price of NT\$19.34 per share in August 2021, and, thus, recognized NT\$5,061 thousand in capital surplus – treasury shares. See Note 24.

The treasury share held by the Company must not be pledged in accordance with the Securities and Exchange Act, nor shall they be entitled to dividends paid out and votes.

XX. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Merchandise sales revenue	\$1,330,231	\$1,171,361
Income from processing	17,411	24,537
Income from sales of electricity	<u>1,330</u>	<u>-</u>
	<u>\$1,348,972</u>	<u>\$1,195,898</u>

(I) See Note 4 (11) for the details of contracts with customers and Statement 14 for the breakdown of revenue from contracts with customers.

(II) Balance of contracts

	<u>December 31, 2022</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts receivable (Note 8)	<u>\$215,928</u>	<u>\$317,294</u>	<u>\$243,244</u>
Contract liabilities – current			
Merchandise sales	<u>\$ 18,387</u>	<u>\$ 4,494</u>	<u>\$ 4,729</u>

The movement in contract liabilities mainly arises from the difference between the point at which performance obligations are satisfied and the point at which customers pay. There were no other major movements during 2022 and 2021.

The amounts recognized in revenue for this period from the contract liabilities at the beginning of the year and the performance obligations that have been fulfilled in the prior period are as follows:

	<u>2022</u>	<u>2021</u>
Contract liabilities at the beginning of the year		
Merchandise sales	<u>\$ 3,682</u>	<u>\$ 3,523</u>

XXI. Net income before tax

Net income before tax includes the following items:

(I) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net gain on disposal of property, plant and equipment	\$ 4,496	\$ 15,177
Net foreign exchange gain (loss)	63,681	( 24,623 )
Government grants	603	133
Compensation proceeds	-	4,096
Others (Note 27)	<u>2,827</u>	<u>4,934</u>
	<u>\$ 71,607</u>	<u>( \$ 283 )</u>

(II) Financial costs

	<u>2022</u>	<u>2021</u>
Interest on borrowings	\$ 12,681	\$ 10,528
Interest on lease liabilities	50	20
Less: Amounts included in the cost of qualifying assets	<u>390</u>	<u>877</u>
	<u>\$ 12,341</u>	<u>\$ 9,671</u>

Information on interest capitalization is as follows:

	<u>2022</u>	<u>2021</u>
Amount of capitalized interest	\$ 390	\$ 877
Rate of annual interest on interest capitalization (%)	0.90~1.61	0.94~1.12

(III) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 87,021	\$ 92,520
Right-of-use assets	1,654	1,378
Intangible assets	<u>5,349</u>	<u>5,094</u>
	<u>\$ 94,024</u>	<u>\$ 98,992</u>
Depreciation expenses aggregated by function		
Operating costs	\$ 76,579	\$ 81,256
Operating expenses	<u>12,096</u>	<u>12,642</u>
	<u>\$ 88,675</u>	<u>\$ 93,898</u>
Amortization expenses aggregated by function		
Operating costs	\$ 878	\$ 749
Operating expenses	<u>4,471</u>	<u>4,345</u>
	<u>\$ 5,349</u>	<u>\$ 5,094</u>

(IV) Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$300,009</u>	<u>\$289,401</u>
Post-employment benefits		
Defined contribution pension plan	11,600	12,207
Defined benefit plans (Note 18)	<u>68</u>	<u>71</u>
	<u>11,668</u>	<u>12,278</u>
Share-based payment (Note 24)	<u>-</u>	<u>5,043</u>
	<u>\$311,677</u>	<u>\$306,722</u>
Aggregated by function		
Operating costs	\$216,570	\$219,644
Operating expenses	<u>95,107</u>	<u>87,078</u>
	<u>\$311,677</u>	<u>\$306,722</u>

(V) Employee remuneration and directors' remuneration

The Company provides no lower than 3% of the year's income before tax (before employee remuneration and directors' remuneration are deducted) as

employee remuneration and no higher than 5% of the balance as directors' remuneration. The 2022 and 2021 employee remuneration and directors' remuneration decided to be paid out in cash by the resolution of the Board of Directors in March 2023 and March 2022, respectively, are as follows:

	<u>2022</u>	<u>2021</u>
<u>Percentages for estimation</u>		
Employee remuneration (%)	5.4	5.4
Director's remuneration (%)	2.7	2.7
<u>Amount</u>		
Employee remuneration	\$ 12,208	\$ 2,195
Director's remuneration	6,104	1,098

If there is a change in the amount after the release date of the annual parent company only financial statements are approved, the change will be accounted for as a change in accounting estimate and the adjustment accounted for in the following year.

There is no difference between the amounts of remuneration paid out to employees and directors for 2021 and 2020 and the amounts recognized in the 2021 and 2020 parent company only financial statements.

Please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange for the information on the remuneration to employees and directors resolved by the Company's Board of Directors.

(VI) Net foreign exchange gain (loss)

	<u>2022</u>	<u>2021</u>
Total foreign exchange gain	\$ 90,713	\$ 8,945
Total foreign exchange loss	( <u>27,032</u> )	( <u>33,568</u> )
Net foreign exchange gain (loss)	<u>\$ 63,681</u>	<u>( \$ 24,623 )</u>

XXII. Income tax

(I) Income tax recognized in profit or loss

The main components of income tax expenses are as follows:

	<u>2022</u>	<u>2021</u>
Current income tax		
Incurred during this	\$ 41,276	\$ -

year		
Adjustment to the		
prior years	<u>555</u>	( <u>136</u> )
	<u>41,831</u>	( <u>136</u> )
Deferred tax		
Incurred during this		
year	<u>536</u>	<u>7,887</u>
Income tax expenses		
recognized in profit or		
loss	<u>\$42,367</u>	<u>\$ 7,751</u>

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

	<u>2022</u>	<u>2021</u>
Net income before tax	<u>\$207,757</u>	<u>\$ 37,357</u>
Income tax expenses		
calculated at the		
statutory tax rate	\$ 41,551	\$ 7,471
Income included for tax	261	421
Tax-free income	-	( 5 )
Adjustment to the prior		
years	<u>555</u>	( <u>136</u> )
Income tax expenses		
recognized in profit or		
loss	<u>\$ 42,367</u>	<u>\$ 7,751</u>

(II) Income tax recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred tax		
Incurred during this		
year		
Exchange		
differences		
arising from		
foreign		
operations	(\$ 8,935)	\$ 2,513
Share of other		
comprehensi		
ve income of		
subsidiaries		
using the		
equity		
method	5,745	( 1,584 )
Remeasurement		
of defined	( <u>516</u> )	<u>556</u>

benefit plans

(\$ 3,706)

\$ 1,485

(III) Current income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax assets		
Tax refund receivable	<u>\$ 431</u>	<u>\$ 679</u>
Current income tax liabilities		
Income tax payable	<u>\$ 41,012</u>	<u>\$ -</u>

(IV) Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities are as follows:

2022

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>				
Temporary difference				
Unrealized inventory loss	\$ 29,675	(\$ 865)	\$ -	\$ 28,810
Unrealized exchange loss	2,610	( 2,610)	-	-
Share of other comprehensive income of subsidiaries using the equity method	( 11,460)	-	11,460	-
Exchange differences arising from foreign operations	14,670	-	( 8,935)	5,735
Others	<u>5,196</u>	<u>510</u>	<u>( 516)</u>	<u>5,190</u>
	40,691	( 2,965)	2,009	39,735
Loss carryforwards	<u>4,075</u>	<u>( 4,075)</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,766</u>	<u>(\$ 7,040)</u>	<u>\$ 2,009</u>	<u>\$ 39,735</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Investment income recognized using the equity method	\$ 10,708	(\$ 8,077)	\$ -	\$ 2,631
Unrealized exchange	-	1,959	-	1,959

gain				
Share of other				
comprehensive				
income of				
subsidiaries using				
the equity method	-	-	5,715	5,715
Others	<u>386</u>	<u>( 386)</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,094</u>	<u>(\$ 6,504)</u>	<u>\$ 5,715</u>	<u>\$ 10,305</u>

2021

	Opening balance	Recognized in profit or loss	Recognized in Other comprehen sive income	Ending balance
Deferred tax assets				
Temporary difference				
Unrealized inventory loss	\$ 44,829	(\$ 15,154)	\$ -	\$ 29,675
Unrealized exchange loss	2,359	251	-	2,610
Share of other comprehensive income of subsidiaries using the equity method	( 9,876)	-	( 1,584)	( 11,460)
Exchange differences arising from foreign operations	12,157	-	2,513	14,670
Others	<u>4,682</u>	<u>( 42)</u>	<u>556</u>	<u>5,196</u>
	54,151	( 14,945)	1,485	40,691
Loss carryforwards	<u>-</u>	<u>4,075</u>	<u>-</u>	<u>4,075</u>
	<u>\$ 54,151</u>	<u>(\$ 10,870)</u>	<u>\$ 1,485</u>	<u>\$ 44,766</u>

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	Opening balance	Recognized in profit or loss	Recognized in Other comprehen sive income	Ending balance
<u>Deferred tax liabilities</u>				
Temporary difference				
Investment income recognized using the equity method	\$ 13,765	(\$ 3,057)	\$ -	\$ 10,708
Others	<u>312</u>	<u>74</u>	-	<u>386</u>
	<u>\$ 14,077</u>	<u>(\$ 2,983)</u>	<u>\$ -</u>	<u>\$ 11,094</u>

(V) Income tax return approval

The Company's profit-seeking enterprise income tax returns filed up to 2020 have been approved by the tax authority.

XXIII. Earnings per Share

The net income and weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net income for this year

	<u>2022</u>	<u>2021</u>
Net income used to calculate basic and diluted earnings per share	<u>\$165,390</u>	<u>\$ 29,606</u>

Number of shares

Unit: In thousands of shares

	<u>2022</u>	<u>2021</u>
The weighted average number of ordinary shares used to calculate basic earnings per share are as follows:	102,347	101,986
Effect of dilutive potential ordinary shares		
Employee remuneration	<u>560</u>	<u>94</u>
The weighted average number of ordinary shares used to calculate diluted earnings per share are as follows:	<u>102,907</u>	<u>102,080</u>

If the Company may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilution effect of such potential ordinary shares will also continue to be considered when the diluted earnings per share is calculated before the following year's shareholders' meeting resolves a decision on the number of shares distributed for employee remuneration.

XXIV. Share-based payment agreement

To motivate employees and enhance their commitment, the Company's rules of share repurchase and transfer to employees were approved by the resolution of the Board of Directors in November 2018. It clearly stipulates that employees are entitled to the right to subscribe for such shares. After deliberation and approval by the Remuneration Committee in May 2021, 554,000 treasury shares can be purchased at a subscription price of NT\$19.34, and those to whom the shares can be granted include the Company's employees who meet specific criteria.

The information on employee stock options for treasury shares is as follows:

	2021	
Employee stock options	Unit (in thousands of shares)	Weighted average Exercise price (NTD)
Outstanding at the beginning of the year	-	\$ -
Granted during this year	554	19.34
Exercised during this year	( <u>554</u> )	19.34
Outstanding at the end of the year	<u>    </u>	
Weighted average fair value of employee stock options granted this year (NTD)	\$ 9.10	

The employee stock options granted by the Company in May 2021 were based on the Black-Scholes valuation model, and the parameters used in the valuation model are as follows:

Share price on grant date (NTD)	28.15
Exercise price (NTD)	19.34
Expected volatility (%)	26.40
Duration	82 days
Risk-free interest rate (%)	0.11

Expected volatility is based on the past historical stock price volatility.

The Company recognized NT\$5,061 thousand in capital surplus – stock options for the year ended December 31, 2021.

XXV. Capital risk management

The Company conducts capital management to ensure that it has the ability to continue as a going concern and then maximize shareholder returns by optimizing the balances of debt and equity. The Company’s overall strategy has not undergone any change in the most recent two years.

The Company does not need to follow other external capital requirements.

XXVI. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

The Company’s management believes that the carrying amounts of financial assets and financial liabilities not at fair value approximate their fair values.

(II) Fair value information – financial instruments measured at fair value on a recurring basis

Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Financial assets at fair value through profit or loss				
Domestic listed stocks	<u>\$443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$443</u>
<u>December 31, 2021</u>				
Financial assets at fair value through profit or loss				
Domestic listed stocks	<u>\$509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$509</u>

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

(III) Types of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Mandatorily at fair value through profit or loss	\$ 443	\$ 509
Financial assets at amortized cost (Note 1)	660,125	835,897
<u>Financial liabilities</u>		

at amortized cost (Note 2)	1,028,875	1,467,402
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Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), among other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, notes payable, accounts payable (including related parties), other payables, refund liabilities (recognized in other current liabilities), long-term borrowings – current portion, long-term borrowings, among other financial liabilities at amortized cost.

#### (IV) Purpose and policy of financial risk management

The Company's main financial instruments include notes receivable, accounts receivable, other financial assets, notes payable, accounts payable, borrowings, and lease liabilities. The Company's Financial Management Department provides services to each business unit, coordinates the operations of investments in the financial markets, and supervises and manages the financial risks related to the Company's operations by analyzing the exposures. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The Financial Management Department reports to the Company's management per quarter.

##### 1. Market risks

The main financial risk arising from the operating activities to the Company is the risk of movements in foreign exchange rates.

##### (1) Exchange rate risk

The Company engages in foreign currency-denominated sales and purchases and is thus exposed to the risk of exchange rate fluctuations.

See Note 30 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date.

##### Sensitivity analysis

The Company is mainly affected by the exchange rate fluctuations of the USD.

The table below shows the Company's sensitivity analysis when the exchange rate of the Company's functional currency against each of relevant foreign currencies increased and decreased by 1%. One percent is the sensitivity rate used in reporting the exchange rate risk to the key management team within the Company and represents the management's assessment of the reasonable range of potential changes in foreign-currency exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation, and the translation at the end of the year is adjusted with 1% as the exchange rate change. The sensitivity analysis covers overseas deposits, borrowings, receivables, and payables. The positive numbers in the table below represent the amount of net income before tax would increase when the functional currency depreciated by 1% against each of relevant foreign currencies; when the functional currency appreciated by 1% against each of relevant foreign currencies, the impact on the net income before tax would be the same amounts in negative numbers.

	Influence of USD	
	2022	2021
Profit or loss	\$ 4,516	\$ 5,270

(2) Interest risk

The carrying amounts of the Company's financial assets and financial liabilities exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial assets	\$ 500	\$ 500
Financial liabilities	2,081	602
Cash flow interest rate risk		
Financial assets	312,071	385,738

Financial liabilities	728,789	1,104,219
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### Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For liabilities at floating rates, the analysis is based on the assumption that the amounts of the liabilities outstanding at the balance sheet date were all outstanding throughout the reporting period.

If the interest rate decreased/increased by 1%, with all other variables remaining unchanged, the Company's net income before tax for 2022 and 2021 would have decreased/increased by NT\$4,167 thousands and NT\$7,185 thousands, respectively, mainly due to the Company's bank borrowings and deposits in bank at floating rates.

## 2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk of financial loss due to non-performance by counterparties is mainly from the carrying amount of financial assets recognized in the parent company only balance sheets and the amounts of contingent liabilities arising from the financial guarantees provided by the Company.

The Company only engages in transactions with financial institutions and counterparties with great credit ratings and obtains sufficient collateral when necessary to reduce the risk of financial losses due to default. The Company uses other publicly available financial information and mutual transaction records to rate major clients' credit. The Company continues to monitor the credit risk and counterparties' credit ratings and distributes the total transaction amount to clients with qualified credit ratings, while controlling the credit risk by monitoring their annual credit limits.

When the Company’s credit risk is relatively concentrated on certain clients, most of whom engage in similar business activities and have similar economic characteristics, and their ability to perform contractual agreements is also similarly influenced by their economic position or other conditions, then a significant credit risk concentration may arise. The balance of accounts receivable from clients with significant credit risk concentration is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Company A	\$ 11,836	\$ 82,267
Company B	44,111	59,382
Group C	38,655	39,579
Company D	<u>23,640</u>	<u>10,615</u>
	<u>\$118,242</u>	<u>\$191,843</u>

### 3. Liquidity risk

The ultimate responsibility for the Company’s liquidity risk management lies with the Board of Directors, which has established an appropriate liquidity risk management framework to meet the Company’s financing and liquidity management needs.

#### Table of liquidity and interest rate risk

The table below details the Company’s analysis of the remaining contractual maturities of non-derivative financial liabilities, which was prepared based on the undiscounted cash flows of the financial liabilities based on the earliest possible date on which the Company can be required to make repayment.

	Repayment on demand or less than 1 month	1–3 months	3 months– 1 year	1–5 years
<u>December 31, 2022</u>				
Non-derivative financial assets				
Floating rate instruments	\$ -	\$133,932	\$109,050	\$513,882
Lease liabilities	156	311	1,401	2,099
Non-interest-bearing liabilities	75,924	204,827	18,431	-
Liabilities of financial guarantees	-	-	-	-
	<u>\$ 76,080</u>	<u>\$339,070</u>	<u>\$128,882</u>	<u>\$515,981</u>
<u>December 31, 2021</u>				
Non-derivative financial assets				
Floating rate instruments	\$ -	\$215,033	\$122,183	\$791,408
Lease liabilities	81	161	366	607
Non-interest-bearing liabilities	56,660	301,939	3,462	-
Liabilities of financial guarantees	41,520	-	-	-
	<u>\$ 98,261</u>	<u>\$517,133</u>	<u>\$126,011</u>	<u>\$792,015</u>

The amount of floating rate instruments of the above non-derivative financial assets and liabilities will change with the difference between the floating rates and the estimated rates on the balance sheet date.

#### XXVII. Related Party Transactions

(I) Name of related party and relations therewith

<u>Name of related party</u>	<u>Relations with the Group</u>
Su, Chi-Tse	Chairman
Sun Forging Industrial Co., Ltd. (Sun)	Substantive related party
Jin Shiang Forging Co., Ltd. (Jin Shiang)	Substantive related party
Linesoon Industrial Co., Ltd. (Linesoon)	Substantive related party
Wuxi Tsang Yow Auto Parts Co., Ltd. (Wuxi Tsang Yow)	Subsidiaries
Business International Corp. (Business)	Subsidiaries
Giant	Subsidiaries

## AAI

## Subsidiaries

## (II) Operating revenue

Account	Category/Name of related party	2022	2021
Operating revenue	Subsidiary – Wuxi Tsang Yow	\$ 1,337	\$ 5,716
	Substantive related party	<u>3,250</u>	<u>1,780</u>
		<u>\$ 4,587</u>	<u>\$ 7,496</u>

As of December 31, 2022 and 2021, the cumulative unrealized gross profit and gross loss were NT\$3,107 thousand and NT\$1,931 thousand, respectively.

The Company did not sell similar goods to non-related parties, so there was no transaction price of the same kind available for comparison. The payment term is not significantly different from that for non-related parties, which is net 30–140 days at the end of each month.

## (III) Purchases

Category/Name of related party	2022	2021
Subsidiary – Wuxi Tsang Yow	\$ 2,047	\$ 5,653
Substantive related party	<u>40,613</u>	<u>61,915</u>
	<u>\$ 42,660</u>	<u>\$ 67,568</u>

The Company did not buy the same kind of goods from non-related parties, so there was no related transaction price available for comparison. The payment term is same as that for non-related parties, which is net 60 to 140 days at the end of each month.

## (IV) Accounts receivable from and payable to related parties (excluding loans to and from related parties)

The balances at the balance sheet date are as follows:

Account	Category/Name of related party	December 31, 2022	December 31, 2022
Accounts receivables – related party	Subsidiary – Wuxi Tsang Yow	\$ -	\$ 4,271
	Substantive related party	<u>1,965</u>	<u>959</u>
		<u>\$ 1,965</u>	<u>\$ 5,230</u>
Accounts payable –	Subsidiary – Wuxi	\$ 1,673	\$ 1,140

related party	Tsang Yow Substantive party	related	<u>10,017</u>	<u>21,264</u>
			<u>\$ 11,690</u>	<u>\$ 22,404</u>
Other receivables – related party (interest payment)	Subsidiaries		<u>\$ 182</u>	<u>\$ 470</u>
Other payables	Subsidiaries Substantive party	related	\$ 182 <u>-</u>	\$ 27 <u>288</u>
			<u>\$ 182</u>	<u>\$ 315</u>

The outstanding balance of accounts payable to related parties and other payables is not secured with collateral and will be settled in cash, and the receivables from related parties and other receivables are not guaranteed. An allowance for losses on the accounts receivable from related parties for 2022 and 2021 was not provided.

(V) Loans to related parties

Category/Name of related party	December 31, 2022	December 31, 2021
Subsidiary – Giant	\$ 76,652	\$ 71,857
Subsidiary – Wuxi Tsang Yow	<u>30,710</u>	<u>55,360</u>
	<u>\$107,362</u>	<u>\$127,217</u>

Interest income

Category/Name of related party	2022	2021
Subsidiaries	<u>\$ 1,735</u>	<u>\$ 3,485</u>

The Company's short-term loans to subsidiaries during 2022 and 2021 are all not secured with collateral. Except for the interest-free loans to the subsidiary, Giant, the annual rate of interest on loans to the subsidiary, Wuxi Tsang Yow, was 5% and adjusted to 3.5% from November 2022.

(VI) Remuneration for key management

The total remuneration for directors and other key management personnel is as follows:

	2022	2021
Short-term employee benefits	\$ 25,572	\$ 12,780
Share-based payment	-	1,156
Post-employment benefits	<u>378</u>	<u>295</u>

\$ 25,950

\$ 14,231

The remuneration to directors and other key management personnel is determined by the Remuneration Committee depending on individual performance and the market trends.

(VII) Transactions with other related parties

<u>Account</u>	<u>Category/Name of related party</u>	<u>2022</u>	<u>2021</u>
Other gains and losses	Subsidiaries	<u>\$ 7,240</u>	<u>\$ 737</u>

The price and payment terms of the sales of molds are not significantly different from those for non-related parties.

(VIII) Guarantee

Part of the Company's financial loan facilities are jointly guaranteed by the Chairman. The information is as follows:

<u>Category/Name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Chairman		
Amount guaranteed	\$ 1,055,000	\$ 950,000
Less: Amount drawn	<u>350,396</u>	<u>370,706</u>
	<u>\$ 704,604</u>	<u>\$ 579,294</u>

XXVIII. Pledged Assets

The Company provides the following assets as collateral for long-term borrowings from banks and tariffs on imported raw materials:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$686,070	\$803,918
Other financial assets (current and non-current)	<u>10,140</u>	<u>9,799</u>
	<u>\$696,210</u>	<u>\$813,717</u>

XXIX. Material Contingencies and Unrecognized Contractual Commitments

Except for those mentioned in other notes, the Company's major commitments on the balance sheet date are as follows:

As of December 31, 2022 and 2021, the unrecognized commitments in the contracts signed by the Company for the purchase of property, plant and equipment amounted to NT\$5,865 thousand and NT\$8,713 thousand, respectively.

XXX. Information on Foreign Currency Assets and Liabilities with Significant Effect

The information below is aggregated and presented in foreign currencies other than the Company's functional currency. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The information on foreign currency assets and liabilities with significant effect is as follows:

December 31, 2022	Foreign currency	Exchange rate:		Carrying amount
Foreign currency asset				
Monetary item				
USD	\$ 14,790	30.71	(USD : NTD)	\$ 454,201
Non-monetary item				
Subsidiary using the equity method				
USD	14,908	30.71	(USD : NTD)	454,426

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	Foreign currency	Exchange rate:		Carrying amount
Foreign liability				
Monetary item				
USD	\$ 84	30.71	(USD : NTD)	\$ 2,580
<u>December 31, 2021</u>				
Foreign currency asset				
Monetary item				
USD	19,080	27.68	(USD : NTD)	528,134
Non-monetary item				
Subsidiary using the equity method				
USD	17,420	27.68	(USD : NTD)	483,899
Foreign liability				
Monetary item				
USD	41	27.68	(USD : NTD)	1,135

Unrealized foreign currency exchange gains and losses with significant effect are as follows:

	Foreign currency	Exchange rate:		Net exchange gain (loss)
2022				
USD		30.71	(USD : NTD)	\$8,136
2021				
USD		27.68	(USD : NTD)	(\$6,118)

### XXXI. Additional Disclosures

(I) Information on material transactions and (II) information on investees:

1. Loans to others: Table 1.
2. Endorsements/Guarantees to others: Table 2.
3. Securities held at the end of the year: Table 3.
4. Securities acquired or sold at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.

5. Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual property at costs 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: None.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
9. Derivatives trading: None.
10. Information on investees: Table 4.

(III) Information on investment in mainland China

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, profit or loss and investment income or loss recognized for this year, carrying amount of the investment at the end of the year, repatriation of investment income or loss, and limit on the amount of investment in the mainland China area: Table 5.
2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses:
  - (1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the year: Table 6.
  - (2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the year: Table 6.
  - (3) The amount of property transactions and the amount of the resulting gains or losses: None.
  - (4) The ending balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the year and the purposes: None.
  - (5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds: Table 1.
  - (6) 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 receiving of labor services: None.

(IV) Information on major shareholders: The name of shareholders, each holding 5% or more of total shares, and the number and percentage of shares held:  
Table 7.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries

Loans to others

For the Years Ended December 31, 2022

Table 1

Unit: NT\$/US\$ thousand  
(unless otherwise specified)

No.	Lender	Borrower	Account title	Related party status	Highest balance of this year	Ending balance	Amount drawn	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for losses	Collateral		Limit on loan to each borrower (Note 2)	Total limit on loans to others (Note 2)
													Title	Value		
0	The Company	Giant	Other receivables related party	Yes	\$ 122,840 (USD 4,000)	\$ 122,840 (USD 4,000)	\$ 76,652 (USD 2,496)	-	Note 1	\$ -	To meet the need for short-term working capital	\$ -	-	\$ -	\$ 655,339	\$ 655,339
0	The Company	Wuxi Tsang Yow	Other receivables related party	Yes	214,970 (USD 7,000)	92,130 (USD 3,000)	30,710 (USD 1,000)	3.5~5	Note 1	-	To meet the need for short-term working capital	-	-	-	655,339	655,339
1	Giant	Wuxi Tsang Yow	Other receivables related party	Yes	39,923 (USD 1,300)	39,923 (USD 1,300)	39,923 (USD 1,300)	3.5~5	Note 1	-	To meet the need for short-term working capital	-	-	-	170,453 (USD 5,550)	170,453 (USD 5,550)
2	Business	Wuxi Tsang Yow	Other receivables related party	Yes	92,130 (USD 3,000)	92,130 (USD 3,000)	92,130 (USD 3,000)	3.5~5	Note 1	-	To meet the need for short-term working capital	-	-	-	183,216 (USD 5,966)	183,216 (USD 5,966)

Note 1: There is a need for short-term financing.

Note 2: 1. The Company

The total limit of loans to others shall be 40% of the Company's net shareholder's equity; the limit of loans to an affiliate shall not exceed 40% of the Company's net worth; the limit of loans to an enterprise shall not exceed 10% of the Company's net shareholders' equity.

2. Giant, Business, and AAI

The total limit of loans to others shall be 40% of its net shareholder's equity; the limit of loans to an affiliate shall not exceed 40% of its net worth; the limit of loans to an enterprise shall not exceed 10% of its net shareholders' equity.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Endorsements/Guarantees to others  
For the Years Ended December 31, 2022

Table 2

Unit: NT\$/US\$ thousand  
(unless otherwise specified)

No.	Name of endorser/guarantor	Party endorsed/guaranteed		Limit of endorsements/guarantees to a single enterprise (Note)	Highest balance of endorsement/guarantee of this year	Ending balance of endorsements/guarantees	Amount drawn	Amount of endorsement/guarantee with property as collateral	Cumulative endorsements/guarantees provided as a % of the net worth as per the latest financial statements (%)	Maximum limit of endorsements/guarantees (Note)	Parent company to a subsidiary Maximum limit of	A subsidiary to parent company Maximum limit of	To an entity in China Maximum limit of
		Name of company											
0	The Company	Wuxi Tsang Yow	Subsidiaries	\$ 786,407	\$ 138,195 (USD 4,500)	\$ 92,130 (USD 3,000)	\$ -	\$ -	8	\$ 1,310,678	Y	N	Y

Note: As per the Operating Procedures for Endorsements and Guarantees, the amount of endorsement/guarantee provided to a single overseas enterprise shall not exceed 60% of the Company's total endorsement/guarantee provided, and the total endorsement/guarantee provided shall not exceed 80% of the Company's total shareholders' equity.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
 Securities held at the end of the year  
 December 31, 2022

Table 3

Unit: NT\$ thousand  
 (unless otherwise specified)

Company	Type and name of securities	Relations with securities issuer	Account title	End of the year				Remark
				Number of shares	Carrying amount	Shareholding %	plan assets	
The Company	Common stock Highwealth Construction Corp.	-	Financial assets at fair value through profit or loss – current	12,101	<u>\$443</u>	-	<u>\$443</u>	

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Information on investees  
For the Years Ended December 31, 2022

Table 4

Unit: NT\$ thousand  
(unless otherwise specified)

Investor	Investee	Location	Principal business	Initial investment amount		Shareholding at the end of the year			Investee Profit (loss) for this year	Investment income (loss) recognized for this year	Remark
				End of this year	End of last year	Number of shares	%	Carrying amount			
The Company	Giant	Samoa	Reinvestment and interactional trading	\$ 449,023	\$ 449,023	13,795,000	100	\$ 422,736	(\$ 40,869)	(\$ 40,779)	Note
	AAI	British Virgin Islands	Reinvestment and interactional trading	1,621	1,621	50,000	100	<u>31,690</u>	<u>393</u>	<u>393</u>	
								<u>\$ 454,426</u>	<u>(\$ 40,386)</u>	<u>(\$ 40,476)</u>	
Giant	Business	Samoa	Reinvestment and interactional trading	463,429	463,429	13,510,000	100	\$ 458,044	(\$ 44,112)	(\$ 44,112)	

Note: Unrealized gross losses have been eliminated.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Information on investment in mainland China  
For the Years Ended December 31, 2022

Table 5

Unit: NT\$/US\$ thousand  
(unless otherwise specified)

Name of investee	Investee Principal business	Paid-in Capital	Investment method	Cumulative investment amount remitted from Taiwan at the beginning of this year	Amount of investment remitted or recovered during this year		End of the year remitted from Taiwan at the beginning of this year	Investee on investees for this year	The Company's shareholding in direct or indirect investment (%)	Investment income or loss recognized for this year (Note 3)	Book value of investments at the end of the year (Note 3)	Investment income remitted back as of the end of this year
					Outward remittance	Inward remittance						
Wuxi Tsang Yow	Research and development, design, and production of transmissions and accessories, hardware parts; sales of self-produced products, and provision of after-sales service	\$ 392,246 (USD 12,000)	Investment in the establishment of a company in a third region for investment in companies in China	\$ 293,538 (USD 9,043)	\$ -	\$ -	\$ 293,538 (USD 9,043)	(\$ 45,811)	100	(\$ 45,901)	\$ 358,560	\$ -

Investor	Cumulative amount of investment from Taiwan to China at the end of the year	Amount of investment approved by the Investment Commission, MOEA	Limit of investment by the Company in China as per the rules of the Investment Commission (Notes 1 and 2)
The Company	\$ 293,538 (USD 9,043)	\$ 444,804 (USD 14,484)	\$ 983,008

Note 1: The limit of Company's investment in China is as follows:

$$\$1,638,347 \times 60\% = \$983,008$$

Note 2: As per the Principles for the Review of Investments or Technical Cooperation in the Mainland China stipulated by the Investment Commission dated August 29, 2008, if the paid-in capital is NT\$80 million or more, the limit is 60% of the net worth.

Note 3: It is recognized and disclosed based on the financial statements for the same period audited by the Company's independent accountants.

Tsang Yow Industrial Co., Ltd.

Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses

For the Years Ended December 31, 2022

Table 6

Unit: NT\$ thousand  
(unless otherwise specified)

Counterparty	Relations between the Company and counterparty	Type of transaction	Amount	Payment term	Situation and reason for transaction conditions different from general ones		Balance of notes and accounts		Unrealized loss
					Unit price	Comparison with general transactions	receivable (payable)	%	
Wuxi Tsang Yow	Subsidiaries	Sales	\$ 1,337	T/T 140 days	Same as general transaction conditions	Same as general transaction conditions	\$ -	-	(\$ 3,107)
		Purchases	2,047	T/T 60 days	Same as general transaction conditions	Same as general transaction conditions	( 1,559)	-	304

Tsang Yow Industrial Co., Ltd.  
Information on major shareholders  
December 31, 2022

Table 7

Name of Major Shareholders	Shares	
	Shareholding (shares)	Shareholding (%)
Linesoon Investment Co., Ltd.	19,955,314	19.35
Rich Pool Investment Co., Ltd.	7,961,779	7.72
Golden Top Investment Co., Ltd.	7,427,058	7.20

Note: The major shareholders in this table are shareholders holding at least 5% of the ordinary and preference shares (including treasury shares) with dematerialized registration and delivery completed on the last business day of the quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's parent company only financial statements may differ from the actual number of shares that have been issued and delivered with registration of dematerialized securities completed as a result of different bases of preparation.

## §Table of Contents of Statements of Significant Accounting Titles§

Item	No./Index
Statement of Assets, Liabilities, and Equity Items	
Statement of Cash and Cash Equivalents	Statement 1
Statement of Accounts Receivable	Statement 2
Statement of Other Receivables	Statement 3
Statement of Inventories	Statement 4
Statement of Other Financial Assets	Statement 5
Statement of Other Current Assets	Note 14
Statement of Movements in Investments Using the Equity Method	Statement 6
Statement of Movements in Property, Plant, and Equipment	Note 12
Statement of Movements in Right-of-use Assets	Statement 7
Statement of Movements in Intangible Assets	Statement 8
Statement of Deferred Tax Assets	Note 22
Statement of Notes Payable	Statement 9
Statement of Accounts Payable	Statement 10
Statement of Other Payables	Note 17
Statement of Other Current Liabilities	Note 17
Statement of Lease Liabilities	Statement 11
Statement of Deferred Tax Liabilities	Note 22
Statement of Short-term Borrowings	Statement 12
Statement of Long-term Borrowings	Statement 13
Statement of Profits and Losses	
Statement of Net Operating Revenue	Statement 14
Statement of Operating Costs	Statement 15
Statement of Operating Expenses	Statement 16
Statement of Financial Costs	Note 21
Statement of Aggregated Employee Benefits, Depreciation, and Amortization Expenses by Function	Note 21 and Statement 17

Tsang Yow Industrial Co., Ltd.  
Statement of Cash and Cash Equivalents  
December 31, 2022

Statement 1

Unit: NT\$ thousand  
(unless otherwise specified)

Item	Summary	Amount
Cash on hand and working capital	Including 4 thousand EUR, 3 thousand CNY, 398 thousand JPY, 5 thousand USD, and 115 thousand NTD (Note 1)	\$ 570 <hr style="width: 100%;"/>
Cash in bank		
Checking deposits		4,068
Demand deposits		92,457
Foreign currency demand deposits	Including 1,936 thousand USD, 154 thousand EUR, 31,264 thousand JPY, and 98 thousand CNY (Note 1)	72,176
		<hr style="width: 100%;"/>
		168,701
Cash equivalents		
Time deposits in bank (Note 2)	Including 4,000 thousand USD and 3,392 thousand CNY (Note 1)	137,798 <hr style="width: 100%;"/>
		<u>\$307,069</u>

Note 1: The exchange rates are 1 JPY = 0.2324 NTD, 1 EUR = 32.72 NTD, 1 CNY = 4.4094 NTD, and 1 USD = 30.71 NTD.

Note 2: It is bank time deposits with the initial duration of less than three months, all due in February 2022, with an annual rate of interest of 1.45%–4.8%.

Tsang Yow Industrial Co., Ltd.  
Statement of Accounts Receivable  
December 31, 2022

Statement 2

Unit: NT\$ thousand

Title	Amount	Remark
Related parties		
Others (Note)	\$ 1,965	Sales
Non-related parties		
Company A	44,111	Sales
Company B	38,655	Sales
Group C	23,640	Sales
Company D	19,587	Sales
Company E	14,228	Sales
Company F	13,551	Sales
Company G	11,836	Sales
Others (Note)	<u>50,020</u>	Sales
	215,628	
Less: Allowance for losses	<u>1,729</u>	
	<u>213,899</u>	
	<u>\$215,864</u>	

Note: The balance of each client did not exceed 5% of the balance of this account, and the amount of accounts receivable past due by one year or more from non-related parties is NT\$ 51 thousand.

Tsang Yow Industrial Co., Ltd.  
Statement of Other Receivables  
December 31, 2022

Statement 3

Unit: NT\$ thousand

Title	Amount
<b>Related parties</b>	
Giant	\$ 76,652
Wuxi Tsang Yow	<u>30,892</u>
	<u>107,544</u>
 <b>Non-related parties</b>	
Company A	17,164
Others	<u>544</u>
	<u>17,708</u>
	<u>\$125,252</u>

Tsang Yow Industrial Co., Ltd.  
Statement of Inventories  
December 31, 2022

Statement 4

Unit: NT\$ thousand

Item	Amount	
	Cost	Net realizable value (Note)
Finished goods	\$201,459	\$320,448
Work in progress	140,009	162,870
Raw materials	63,645	64,190
Supplies	<u>27,625</u>	<u>27,741</u>
	<u>\$432,738</u>	<u>\$575,249</u>

Note: See Note 4 “Accounting policies” for the net realized value.

Tsang Yow Industrial Co., Ltd.  
Statement of Other Financial Assets  
December 31, 2022

Statement 5

Unit: NT\$ thousand  
(unless otherwise specified)

Item	Rate of annual interest (%)	Period	Amount
<b>Current</b>			
Pledged time deposits			
Cathay United Bank	1.45	111.12.15~112.01.15	<u>\$ 9,640</u>
<b>Non-current</b>			
Time deposits			
Taiwan Cooperative Bank (Note)	1.33	111.10.15~112.10.15	500
Guarantee paid			<u>1,736</u>
			<u>2,236</u>
			<u>\$ 11,876</u>

Note: It is used as a guarantee for the tariff and will be automatically renewed when it matures.

Tsang Yow Industrial Co., Ltd.  
Statement of Movements in Investments Using the Equity Method  
For the Year Ended December 31, 2022

Statement 6

Unit: NT\$ thousand  
(unless otherwise specified)

Investee	Opening balance		Increase during this year		Decrease during this year		Ending balance			Market price or net equity value		Collateral or pledge
	Number of shares	Amount	Number of shares	Amount (Note)	Number of shares	Amount (Note)	Number of shares at the end of the year	Shareholding (%)	Amount	Unit price (NTD)	Total price	
Giant	13,795,000	\$ 455,691	-	\$ -	-	\$ 32,955	13,795,000	100	\$ 422,736	\$ 30.87	\$ 425,843	None
AAI	50,000	<u>28,208</u>	-	<u>3,482</u>	-	<u>-</u>	50,000	100	<u>31,690</u>	633.80	<u>31,690</u>	None
		<u>\$ 483,899</u>		<u>\$ 3,482</u>		<u>\$ 32,955</u>			<u>\$ 454,426</u>		<u>\$ 457,533</u>	

Note: It includes the share of profit or loss of subsidiaries using the equity method of NT\$40,386 thousand recognized in investment loss, exchange differences arising from the translation of the financial statements of foreign operations of NT\$15,951 thousand, and unrealized gain with subsidiaries of NT\$5,038 thousand.

Tsang Yow Industrial Co., Ltd.  
Statement of Movements in Right-of-use Assets  
For the Year Ended December 31, 2022

Statement 7	Unit: NT\$ thousand		
	Opening balance	Increase during this year	Ending balance
Cost			
Transportation equipment	\$4,817	<u>\$4,349</u>	\$9,166
Accumulated depreciation and impairment			
Transportation equipment	( <u>3,626</u> )	( <u>\$1,654</u> )	( <u>5,280</u> )
	<u>\$1,191</u>		<u>\$3,886</u>

Tsang Yow Industrial Co., Ltd.  
Statement of Movements in Intangible Assets  
For the Year Ended December 31, 2022

Statement 8

Unit: NT\$ thousand

Item	Opening balance	Increase during this year	Decrease during this year	Ending balance
Computer software				
Cost	\$ 25,876	\$ 876	(\$ 3,278)	\$ 23,474
Accumulated amortization	( 12,209)	( 5,349)	3,278	( 14,280)
	<u>\$ 13,667</u>	<u>(\$ 4,473)</u>	<u>\$ -</u>	<u>\$ 9,194</u>

Tsang Yow Industrial Co., Ltd.  
Statement of Notes Payable  
December 31, 2022

Statement 9

Unit: NT\$ thousand

Title	Amount
Non-related parties	
Company A	\$ 2,073
Company B	1,212
Group C	1,122
Company D	1,008
Company E	601
Company F	456
Company G	401
Others (Note)	<u>836</u>
	<u>\$ 7,709</u>

Note: The balance of each party did not exceed 5% of the balance of this account.

Tsang Yow Industrial Co., Ltd.  
Statement of Accounts Payable  
December 31, 2022

Statement 10

Unit: NT\$ thousand

Title	Amount
<b>Related parties</b>	
Sun	\$ 7,827
Others (Note)	<u>3,863</u>
	<u>11,690</u>
<b>Non-related parties</b>	
Company A	20,761
Company B	15,938
Group C	13,459
Company D	13,263
Others (Note)	<u>111,335</u>
	<u>174,756</u>
	<u>\$186,446</u>

Note: The balance of each party did not exceed 5% of the balance of this account.

Tsang Yow Industrial Co., Ltd.  
Statement of Lease Liabilities  
December 31, 2022

Statement 11

Unit: NT\$ thousand  
(unless otherwise specified)

Item	Lease period	Discount rate (%)	Ending balance
Transportation equipment	108.10~114.05	1.37~1.38	\$ 3,909
Less: Lease liabilities – current			<u>1,828</u>
Lease liabilities – non-current			<u>\$ 2,081</u>

Tsang Yow Industrial Co., Ltd.  
Statement of Short-term Borrowings  
December 31, 2022

Statement 12

Unit: NT\$ thousand  
(unless otherwise specified)

Item	Ending balance	Period	Rate of annual interest (%)	Pledge/M ortgage or collateral
Unsecured borrowings				
E.SUN Bank	\$ 50,000	111.12.02~112.03.01	1.40	None
Tainan Branch, Taishin International Bank	<u>50,000</u>	111.12.07~112.01.06	1.55	None
	<u>\$ 100,000</u>			

Tsang Yow Industrial Co., Ltd.  
Statement of Long-term Borrowings  
December 31, 2022

Statement 13

Unit: NT\$ thousand  
(unless otherwise specified)

Creditor (bank)	Period and repayment method	Rate of annual interest (%)	Amount			Mortgage or collateral	Remark
			Current portion	Beyond 1 year	Total		
<b>Secured borrowings</b>							
First Commercial Bank	It will be amortized in 12 installments (each installment is made every six months) since June 2020.	1.85	\$ 20,000	\$150,000	\$170,000	Land and buildings	See Note 28
E.SUN Bank	It was amortized in 156 installments from December 2020.	1.68	7,516	81,786	89,302	Land and buildings	See Note 28
Mega International Commercial Bank	It was amortized in 120 installments from December 2018.	1.73	15,000	73,750	88,750	Land and buildings	See Note 28
The Shanghai Commercial & Savings Bank, Ltd.	It was amortized in 40 installments from June 2018.	1.78	16,970	72,121	89,091	Land and buildings	See Note 28
The Shanghai Commercial & Savings Bank, Ltd.	It was amortized in 20 installments from January 2020.	1.78	10,000	10,000	20,000	Land and buildings	See Note 28
The Shanghai Commercial & Savings Bank, Ltd.	It began from August 2022 with the grace period of one year and was amortized in 16 installments from November 2023.	1.78	625	9,375	10,000	Land and buildings	See Note 28
<b>Unsecured borrowings</b>							
Mega International Commercial Bank	Revolving credit line	1.68	-	40,000	40,000	None	-
E.SUN Bank	It was amortized in 36 monthly installments from October 2021.	1.53	36,729	27,917	64,646	None	-
E.SUN Bank	It was amortized in 36 monthly installments from January 2023.	1.53	14,771	30,229	45,000	None	-
Taipei Fubon Bank	It was amortized in 30 monthly installments from January 2021.	1.81	<u>12,000</u>	<u>-</u>	<u>12,000</u>	None	-
			<u>\$133,611</u>	<u>\$495,178</u>	<u>\$628,789</u>		

Tsang Yow Industrial Co., Ltd.  
Statement of Net Operating Revenue  
For the Year Ended December 31, 2022

Statement 14

Unit: NT\$ thousand  
(unless otherwise specified)

Item	Quantity (in thousands of units)	Amount
Automatic transmission components for automobiles	2,703	\$ 918,498
Clutch Parts for Heavy-duty Trucks	791	166,591
Drivetrain Parts for Industrial Machinery	161	70,589
New energy vehicle motor components	17	79
Others (Note)	255	<u>174,474</u>
Sales revenue, net		1,330,231
Processing fees income, net	16	17,411
Other operating revenue		<u>1,330</u>
Net operating revenue		<u><u>\$ 1,348,972</u></u>

Note: Each balance did not exceed 10% of the balance of this account.

Tsang Yow Industrial Co., Ltd.  
Statement of Operating Costs  
For the Year Ended December 31, 2022

Statement 15

Unit: NT\$ thousand

Item	Amount
Raw materials at the beginning of the year	\$ 77,626
Purchases during this year	430,105
Less: Raw materials at the end of the year	( <u>63,645</u> )
Consumption of raw materials	444,086
Consumption of supplies	85,813
Direct labor	171,960
Overhead	<u>334,412</u>
Manufacturing cost	1,036,271
Add: Work in progress at the beginning of the year	141,209
Less: Work in progress at the end of the year	( <u>140,009</u> )
Cost of finished goods	1,037,471
Add: Finished goods at the beginning of the year	139,667
Purchases during this year	22,893
Less: Finished goods at the end of the year	( 201,459 )
Reclassified to operating expenses	( 1,846 )
Reclassified to other assets	( 6,276 )
Loss on inventory scrapped	( 4,949 )
Add: Gain on physical inventory	1,164
Others	<u>1,794</u>
Cost of production and sales	988,459
Loss on inventory scrapped	4,949
Gain on physical inventory	( 1,164 )
Income from sales of scrap	( 13,236 )
Other operating costs	<u>241</u>
	<u>\$ 979,249</u>

Tsang Yow Industrial Co., Ltd.  
Statement of Operating Expenses  
For the Year Ended December 31, 2022

Statement 16

Unit: NT\$ thousand

Item	Selling expenses	Administrativ e expenses	Research and development expenses	Total
Salary and wages	\$ 10,857	\$ 41,048	\$ 30,655	\$ 82,560
Import/export expense	42,013	-	-	42,013
Depreciation expenses	1,382	6,128	4,586	12,096
Service expense	164	4,030	500	4,694
Amortizations	34	3,712	725	4,471
Commissions expense	3,261	-	-	3,261
Insurance	917	2,847	3,006	6,770
Other expenses (Note)	<u>5,659</u>	<u>12,310</u>	<u>7,047</u>	<u>25,016</u>
	<u>\$ 64,287</u>	<u>\$ 70,075</u>	<u>\$ 46,519</u>	180,881
Reversal of expected credit impairment losses				( <u>604</u> )
				<u>\$ 180,277</u>

Note: Each balance did not exceed 5% of the balance of this account.

Tsang Yow Industrial Co., Ltd.

Statement of Aggregated Employee Benefits, Depreciation, and Amortization Expenses by  
Function

For the Years Ended December 31, 2022 and 2021

Statement 17

Unit: NT\$ thousand

	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary and wages	\$ 176,760	\$ 70,551	\$ 247,311	\$ 177,506	\$ 65,465	\$ 242,971
Labor and health insurance	20,075	6,425	26,500	20,002	6,616	26,618
Pension	8,489	3,179	11,668	8,933	3,345	12,278
Director's Remuneration	-	12,009	12,009	-	5,383	5,383
Share-based payment	-	-	-	1,903	3,140	5,043
Other employee benefit expenses	11,246	2,943	14,189	11,300	3,129	14,429
	<u>\$ 216,570</u>	<u>\$ 95,107</u>	<u>\$ 311,677</u>	<u>\$ 219,644</u>	<u>\$ 87,078</u>	<u>\$ 306,722</u>
Depreciation expenses	\$ 76,579	\$ 12,096	\$ 88,675	\$ 81,256	\$ 12,642	\$ 93,898
Amortization expenses	878	4,471	5,349	749	4,345	5,094

Note: 1. The number of employees was 424 and 444 during the years ended December 31, 2022 and 2021, respectively, of whom the number of directors who did not concurrently serve as employees was eight during both years.

2. The average employee benefit expenses for 2022 and 2021 were NT\$720 thousand and NT\$691 thousand, respectively.

3. The average salary and wages for 2022 and 2021 were NT\$594 thousand and NT\$557 thousand, respectively.

4. The average employee salary increased by 7%.

5. The Company has established an Audit Committee to replace the supervisors, so no remuneration was paid to supervisors.

6. Remuneration policy (including directors, managers, and employees)

Reasonable remuneration is provided after comprehensive consideration, and the policy on the remuneration to directors, managers, and employees is reviewed at any time depending on the operating performance and applicable laws and regulations. The Remuneration Committee regularly reviews and evaluates the remuneration policies, systems, standards, and structures of directors and managers with reference to the overall market competitiveness of the remuneration provided. Moreover, as per the Articles of Incorporation,

where the Company makes a profit for a fiscal year, it shall provide no lower than 3% of the balance for employee remuneration and pay it out with the approval by the resolution of the Board of Directors, and no higher than 5% for directors' remuneration. The proposed directors' remuneration shall be submitted to the Remuneration Committee for deliberation and to the Board of Directors and the shareholders' meeting for approval and can only be paid out after the shareholders' meeting approves it. The remuneration paid to the Chairman and independent directors for their participation in the Company's operations is fixed per person on a monthly basis, and the honorarium per person for the attendance at each board meeting is NT\$3 thousand. The remuneration paid to directors and managers is reviewed and discussed by the Remuneration Committee and approved by the resolution of the Board of Directors.

## Representation Letter

Considering that the companies to be included into the consolidated financial statements of affiliates under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2022 (from January 1, 2022 to December 31, 2022), and the relevant information to be disclosed in the consolidated financial statements of the affiliates has already been disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Name of Company: Tsang Yow Industrial Co., Ltd.

Person in Charge: Su, Chi-Tse

March 15, 2023

## Independent Auditors' Report

To Tsang Yow Industrial Co., Ltd.,

### **Audit Opinion**

We have audited the accompanying consolidated balance sheets of Tsang Yow Industrial Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2022 and 2021 and the relevant consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes, 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 for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis of audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards of the Republic of China. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” paragraph of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

### **Key audit matters**

Key audit matters refer to the most vital matters in our audit of the Group’s consolidated financial statements for the year ended December 31, 2022 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the Group’s consolidated financial statements for the year ended December

31, 2022, are stated as follows:

Authenticity of sales revenue from consignment warehouses

The Group mainly engages in the manufacturing and sales of automobiles and parts thereof. Warehouse consignment is one of the Group's important sales models. As the Group needed to regularly verify the quantity of the goods sold from the consignment warehouses to recognize the sales revenue, during which manual reconciliation was involved, the potential risk of error posed to the authenticity of the Group's sales revenue has increased. Therefore, in accordance with the rule that revenue is presumed to be a significant risk under the auditing standards, the authenticity of the sales revenue from specific consignment warehouses is listed as a key audit matter.

Please refer to Note 4 (11) for the accounting policy on revenue recognition and Note 20 for the disclosure of operating revenue.

We have implemented the corresponding audit procedures below for the specific aspects of the above key audit item, including:

- I. Learned about and tested if the Group's internal control operations related to the sales were effective.
- II. Selected samples from the statements of sales revenue from the specific consignment warehouses, checked the account reconciliation records between the Group and clients, shipping documents, and payment collection documents, and checked if the recipients were consistent with the transaction counterparties or reviewed the confirmation made by clients to confirm the authenticity of the sales.

**Other Matters**

The Company has also prepared the parent company only financial statements for the years ended December 31, 2022 and 2021, for which we have issued an audit report, along with an unqualified opinion, for reference.

**Responsibilities of the management and the governing bodies for the consolidated financial statements**

The management's responsibilities are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively referred to as "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China and to maintain necessary internal control associated with the preparation in order to ensure that the consolidated financial

statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have exercised our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards of the Republic of China. We also performed the following tasks:

- I. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
- II. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- III. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
- IV. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the

Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need 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.

- V. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
- VI. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.
- VII. The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA Chiang, Jia-Ling

CPA Wu, Chiu-Yen

Securities and Futures Bureau Approval  
Document No.

Tai-Cai-Zheng-Liu-Zi No. 0920123784

Securities and Futures Bureau Approval  
Document No.

Tai-Cai-Zheng-Liu-Zi No. 0920123784

March 25, 2023

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Consolidated Balance Sheet  
December 31, 2022 and 2021

Unit: NT\$ thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 458,717	16	\$ 554,440	17
1110	Financial assets at fair value through profit or loss (Notes 4, 7, and 26)	443	-	509	-
1151	Notes payable (Notes 4, 5, 8, 20, and 28)	2,489	-	5,031	-
1170	Accounts receivable, net (Notes 4, 5, 8, 20, and 27)	430,974	15	573,865	18
1200	Other receivables	18,931	1	1,928	-
1220	Current income tax assets (Notes 4 and 22)	431	-	738	-
1310	Inventory (Notes 4, 5, and 9)	540,075	18	504,572	16
1476	Other financial assets – current (Notes 10 and 28)	9,640	-	9,299	-
1479	Other current assets (Note 14)	<u>17,569</u>	<u>1</u>	<u>13,865</u>	<u>1</u>
11XX	Total current assets	<u>1,479,269</u>	<u>51</u>	<u>1,664,247</u>	<u>52</u>
	<b>Non-current assets</b>				
1600	Property, plant and equipment (Notes 4, 12, 28, and 29)	1,350,037	46	1,448,323	45
1755	Right-of-use assets (Notes 4 and 13)	15,297	1	12,788	-
1780	Intangible assets (Note 4)	9,839	-	14,429	1
1840	Deferred tax assets (Notes 4 and 22)	65,140	2	66,327	2
1915	Prepayments for business facilities	1,541	-	6,288	-
1980	Other financial assets – non-current (Notes 10 and 28)	2,236	-	1,558	-
1990	Other non-current assets	<u>592</u>	<u>-</u>	<u>592</u>	<u>-</u>
15XX	Total non-current assets	<u>1,444,682</u>	<u>49</u>	<u>1,550,305</u>	<u>48</u>
1XXX	Total assets	<u>\$ 2,923,951</u>	<u>100</u>	<u>\$ 3,214,552</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Notes 15 and 27)	\$ 100,000	4	\$ 221,520	7
2130	Contract liabilities (Note 20)	18,387	1	4,494	-
2150	Notes payable (Note 16)	7,709	-	10,896	-
2170	Accounts payable (Notes 16 and 27)	285,653	10	382,434	12
2200	Other payables (Notes 17, 21, and 27)	125,166	4	119,938	4
2230	Current tax liabilities (Notes 4 and 22)	41,012	1	-	-
2280	Lease liabilities – current (Notes 4 and 13)	1,828	-	597	-
2322	Long-term borrowings – current portion (Notes 15, 27, and 28)	133,611	5	149,501	5
2399	Other current assets (Note 17)	<u>64,444</u>	<u>2</u>	<u>40,023</u>	<u>1</u>
21XX	Total current liabilities	<u>777,810</u>	<u>27</u>	<u>929,403</u>	<u>29</u>
	<b>Non-current liabilities</b>				
2540	Long-term borrowings (Notes 15, 27, and 28)	495,178	17	774,718	24
2570	Deferred tax liabilities (Notes 4 and 22)	4,590	-	11,094	1
2580	Lease liabilities – non-current (Notes 4 and 13)	2,081	-	602	-
2640	Net defined benefit liabilities (Notes 4 and 18)	5,845	-	9,798	-
2670	Other non-current liabilities	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>
25XX	Total non-current liabilities	<u>507,794</u>	<u>17</u>	<u>796,312</u>	<u>25</u>
2XXX	Total Liabilities	<u>1,285,604</u>	<u>44</u>	<u>1,725,715</u>	<u>54</u>
	<b>Equity attributable to owners of the Company (Notes 4, 19, and 24)</b>				
3110	Ordinary share capital	<u>1,030,865</u>	<u>35</u>	<u>1,030,865</u>	<u>32</u>
3200	Capital surplus	<u>150,532</u>	<u>5</u>	<u>150,532</u>	<u>5</u>
	Retained earnings				
3310	Legal reserve	96,923	3	94,185	3
3320	Special reserve	44,054	2	40,336	1
3350	Undistributed earnings	<u>359,046</u>	<u>12</u>	<u>228,753</u>	<u>7</u>
3300	Total retained earnings	<u>500,023</u>	<u>17</u>	<u>363,274</u>	<u>11</u>
3400	Other equity	<u>(31,293)</u>	<u>(1)</u>	<u>(44,054)</u>	<u>(2)</u>
3500	Treasury shares	<u>(11,780)</u>	<u>-</u>	<u>(11,780)</u>	<u>-</u>
3XXX	Total equity	<u>1,638,347</u>	<u>56</u>	<u>1,488,837</u>	<u>46</u>
	Total liabilities and equity	<u>\$ 2,923,951</u>	<u>100</u>	<u>\$ 3,214,552</u>	<u>100</u>

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

Chairman: Su, Chi-Tse

Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021

Unit: In NT\$ thousand,  
except for earnings per share in NT\$

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes 4, 20, and 27)	\$ 1,790,943	100	\$ 1,825,807	100
5000	Operating cost (Notes 9, 21, and 27)	<u>1,411,005</u>	<u>79</u>	<u>1,566,626</u>	<u>86</u>
5900	Operating gross margins	<u>379,938</u>	<u>21</u>	<u>259,181</u>	<u>14</u>
	Operating expenses (Notes 8 and 21)				
6100	Selling expenses	70,699	4	68,367	4
6200	Administrative expenses	94,468	5	84,941	4
6300	Research and development expenses	60,579	3	69,306	4
6450	Expected credit impairment losses	<u>585</u>	<u>-</u>	<u>3,676</u>	<u>-</u>
6000	Total operating expenses	<u>226,331</u>	<u>12</u>	<u>226,290</u>	<u>12</u>
6900	Net operating income	<u>153,607</u>	<u>9</u>	<u>32,891</u>	<u>2</u>
	Non-operating income and expenses (Notes 21 and 27)				
7100	Interest income	3,962	-	1,941	-
7010	Other income	46	-	23	-
7020	Other gains and losses	54,873	3	10,390	1
7050	Financial costs	( <u>13,037</u> )	( <u>1</u> )	( <u>10,385</u> )	( <u>1</u> )
7000	Total	<u>45,844</u>	<u>2</u>	<u>1,969</u>	<u>-</u>
7900	Net income before tax	199,451	11	34,860	2
7950	Income tax expense (Notes 4 and 22)	<u>34,061</u>	<u>2</u>	<u>5,254</u>	<u>1</u>
8200	Net income for this year	<u>165,390</u>	<u>9</u>	<u>29,606</u>	<u>1</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income (Notes 18, 19, and 22)				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	\$ 2,579	-	(\$ 2,780)	-
8349	Income tax related to items not reclassified	( 516)	-	556	-
8360	Items that may subsequently be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations	15,951	1	( 4,647)	-
8399	Income tax related to items that may be reclassified	( 3,190)	-	929	-
8300	Other comprehensive income for this year (net of tax)	<u>14,824</u>	<u>1</u>	<u>( 5,942)</u>	<u>-</u>
8500	Total comprehensive income for this year	<u>\$ 180,214</u>	<u>10</u>	<u>\$ 23,664</u>	<u>1</u>
8600	Net income attributable to:				
8610	Owners of the Company	<u>\$ 165,390</u>	<u>9</u>	<u>\$ 29,606</u>	<u>2</u>
8700	Total comprehensive income attributable to:				
8710	Owners of the Company	<u>\$ 180,214</u>	<u>10</u>	<u>\$ 23,664</u>	<u>1</u>
	Earnings per share (Note 23)				
9750	Basic	<u>\$ 1.62</u>		<u>\$ 0.29</u>	
9850	Diluted	<u>\$ 1.61</u>		<u>\$ 0.29</u>	

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

Chairman: Su, Chi-Tse

General Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

		Equity attributable to owners of the Company								
		Retained earnings					Other equity			
Code		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences arising from the translation of the financial statements of foreign operations	Treasury shares	Total equity
A1	Balance as of January 1, 2021	\$1,030,865	\$ 145,471	\$ 93,628	\$ 42,026	\$ 230,776	\$ 366,430	(\$ 40,336)	(\$ 22,477)	\$1,479,953
	Earnings appropriation and distribution for 2020 (Note 19)									
B1	Legal reserve	-	-	557	-	( 557)	-	-	-	-
B3	Special reserve	-	-	-	( 1,690)	1,690	-	-	-	-
B5	Cash dividend	-	-	-	-	( 30,538)	( 30,538)	-	-	( 30,538)
		-	-	557	( 1,690)	( 29,405)	( 30,538)	-	-	( 30,538)
N1	Share-based transactions (Notes 19 and 24)	-	5,061	-	-	-	-	-	10,697	15,758
D1	Net income for 2021	-	-	-	-	29,606	29,606	-	-	29,606
D3	Other comprehensive income after tax for 2021	-	-	-	-	( 2,224)	( 2,224)	( 3,718)	-	( 5,942)
D5	Total comprehensive income for 2021	-	-	-	-	27,382	27,382	( 3,718)	-	23,664
Z1	Balance as of December 31, 2021	1,030,865	150,532	94,185	40,336	228,753	363,274	( 44,054)	( 11,780)	1,488,837
	Earnings appropriation and distribution for 2021 (Note 19)									
B1	Legal reserve	-	-	2,738	-	( 2,738)	-	-	-	-
B3	Special reserve	-	-	-	3,718	( 3,718)	-	-	-	-
B5	Cash dividend	-	-	-	-	( 30,704)	( 30,704)	-	-	( 30,704)
		-	-	2,738	3,718	( 37,160)	( 30,704)	-	-	( 30,704)
D1	Net income for 2022	-	-	-	-	165,390	165,390	-	-	165,390
D3	Other comprehensive income after tax for 2022	-	-	-	-	2,063	2,063	12,761	-	14,824
D5	Total comprehensive income for 2022	-	-	-	-	167,453	167,453	12,761	-	180,214
Z1	Balance as of December 31, 2022	\$1,030,865	\$ 150,532	\$ 96,923	\$ 44,054	\$ 359,046	\$ 500,023	(\$ 31,293)	(\$ 11,780)	\$1,638,347

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

Chairman: Su, Chi-Tse

General Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Consolidated Statement of Cash Flows  
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax for this year	\$199,451	\$ 34,860
A20010	Income and expense items		
A20100	Depreciation expenses	135,068	143,638
A20200	Amortization expenses	5,478	5,212
A20300	Expected credit impairment losses	585	3,676
A20400	Gain on financial assets at fair value through profit or loss	66	( 5 )
A20900	Financial costs	13,037	10,385
A21200	Interest income	( 3,962 )	( 1,941 )
A21300	Dividend income	( 46 )	( 23 )
A21900	Cost of employee stock options	-	5,043
A22500	Gain on disposal of property, plant and equipment	1,390	( 19,093 )
A23700	Inventory loss	19,180	15,110
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	2,542	28,527
A31150	Accounts receivable	142,263	17,997
A31180	Other receivables	( 17,003 )	31,343
A31200	Inventory	( 56,102 )	( 90,308 )
A31240	Other current assets	( 3,704 )	2,430
A32125	Contract liabilities	13,893	( 235 )
A32130	Notes payable	( 3,187 )	( 6,241 )
A32150	Accounts payable	( 96,781 )	60,085
A32180	Other payables	8,060	27,374
A32230	Other current liabilities	24,421	( 5,224 )
A32240	Net defined benefit liability	( 1,374 )	( 1,563 )
A33000	Cash from operations	383,275	261,047
A33100	Interest received	3,962	1,941
A33200	Dividends received	46	23
A33300	Interest paid	( 13,306 )	( 11,424 )
A33500	Income tax paid	( 1,497 )	( 3,371 )
AAAA	Net cash inflow from operating activities	<u>372,480</u>	<u>248,216</u>

Cash flows from investing activities

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Code		2022	2021
B02700	Acquisition of property, plant and equipment	(\$ 64,645)	(\$ 50,610)
B02800	Proceeds from disposal of property, plant and equipment	34,312	30,213
B04500	Acquisition of intangible assets	( 876)	( 7,235)
B06500	Increase in other financial assets	( 1,019)	-
B06600	Decrease in other financial assets	<u>-</u>	<u>2,654</u>
BBBB	Net Cash from Investment Activities	<u>( 32,228)</u>	<u>( 24,978)</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	( 121,520)	( 93,920)
C01600	Long-term borrowings	525,000	560,000
C01700	Repayment of long-term borrowings	( 820,430)	( 479,561)
C04020	Repayment of principal of lease liabilities	( 1,639)	( 1,378)
C04500	Cash dividend paid out	( 30,704)	( 30,538)
C05000	Treasury shares transferred to employees	<u>-</u>	<u>10,715</u>
CCCC	Net cash outflow from financing activities	<u>( 449,293)</u>	<u>( 34,682)</u>
DDDD	Effect of movements in exchange rates on cash and cash equivalents	<u>13,318</u>	<u>( 3,591)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( 95,723)	184,965
E00100	Opening balance of cash and cash equivalents	<u>554,440</u>	<u>369,475</u>
E00200	Ending balance of cash and cash equivalents	<u>\$458,717</u>	<u>\$554,440</u>

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

Chairman: Su, Chi-Tse

General Manager: Su, Chi-Hu

Chief Accounting Officer: Chen, Hui-Jung

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2022 and 2021  
(In NT\$ thousand, unless otherwise specified)

I. Company History

Tsang Yow Industrial Co., Ltd. (hereinafter referred to as “the Company”) was incorporated in January 1985 and mainly engages in the business activities below:

- (I) Manufacturing and wholesale of other machinery (automatic transmission and drivetrain systems).
- (II) Manufacturing and wholesale of ships and parts
- (III) Manufacturing and wholesale of automobiles and parts.
- (IV) Manufacturing and wholesale of other machinery and devices (automatic transmission and drivetrain systems).

The Company’s stock has been listed and traded on the Taiwan Stock Exchange since May 2014.

The consolidated financial statements are presented in the Company’s functional currency, i.e. New Taiwan dollar (NTD).

II. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were published after being approved by the Board of Directors on March 15, 2023.

III. Application of New and Revised Standards and Interpretation

- (I) Initial application of the IFRSs endorsed and issued into effect by the FSC

The application of the IFRSs endorsed and issued into effect by the FSC will not cause a material change in the accounting policies of the Company and entities controlled by the Company (hereinafter referred to as “the Group”).

- (II) Application of IFRSs endorsed by FSC in 2023

<u>New/amended/revised standards or interpretation</u>	<u>Effective date announced by IASB</u>
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	January 1, 2023 (Note 3)

Transaction”

Note 1: The amendments will apply to the annual reporting periods beginning after January 1, 2023.

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

Note 3: Except for the recognition of deferred income taxes on temporary differences related to leases and decommissioning obligations as of January 1, 2022, these amendments to transaction that occur after January 1, 2022.

By the time the consolidated financial statements were approved by the Board of Directors and released, the Group confirmed that the amendments to other standards and interpretations would not cause a material impact on its financial position and financial performance.

- (III) The IFRSs released by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/amended/revised standards or interpretation</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
Amendments to IFRS 16, “Lease 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 17 and IFRS 9 – 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 otherwise noted, the above new/revised/amended standards and interpretations take effect in their respective annual reporting periods beginning on or after their respective dates.

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were approved by the Board of Directors and released, the Group has continued to evaluate the effect of the amendments to other standards and interpretations on its financial position and financial performance, and the relevant effects will be disclosed when the evaluation is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of compliance

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

##### (II) Basis of preparation

The consolidated financial statements were prepared on the historical cost basis, except for financial instruments at fair value and net defined benefit liabilities recognized at the present values of defined benefit obligations, less the fair values of plan assets.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

##### (III) Criteria for 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 balance sheet date;
- and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
  2. Liabilities due to be settled within 12 months after the balance sheet date;
- and

3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The subsidiaries' financial statements have been properly adjusted to make their accounting policies consistent with the Group's. When the consolidated financial statements were prepared, all inter-company transactions, account balances, gains and losses have been eliminated. Subsidiaries' total comprehensive income is attributable to the owners of the Company.

See Note 11 and Tables 4 and 6 for more information on subsidiaries' statements, shareholdings, and main business).

(V) Foreign currencies

When the financial statements of each individual entity in the Group were prepared, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Foreign currency non-monetary items at fair value are translated at the exchange rate on the date when the fair value is determined, and the resulting exchange differences are recognized in current profit or loss; however, regarding changes in fair values recognized in other comprehensive income, the resulting exchange differences are recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When the consolidated financial statements were prepared, the assets and liabilities of the Group's foreign operations (i.e. subsidiaries operating in a

country or using a currency different from that of the Company) were translated into New Taiwan dollars (NTD) at the exchange rate prevailing on each balance sheet date. Income and expense items are translated at the year's average exchange rate, and the resulting exchange differences are recognized in other comprehensive income.

(VI) Inventory

Inventory includes raw materials, supplies, work in process, and finished goods. The value of inventory is measured at the lower of weighted average cost or net realizable value. The comparison of the cost and net realizable value is based on individual items except for the same category of inventory. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventory is calculated using the weighted average method.

(VII) Property, plant and equipment

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

Property, plant and equipment under construction are recognized at cost, less accumulated impairment loss. The cost includes professional service expenses and the borrowing costs eligible for capitalization. Such assets are classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation begins.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Each significant part is depreciated separately. The Group conducts at least an annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and apply the effects of changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(VIII) Intangible assets

1. Separate acquisition

Intangible assets with finite useful lives that are acquired separately (mainly computer software and patents) are initially measured at cost and subsequently measured at cost, less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively.

## 2. Derecognition

When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in current profit or loss.

### (IX) Impairment of property, plant and equipment, right-of-use assets, and intangible assets

The Group assesses if there are any signs of possible impairment of property, plant, and equipment as well as right-of-use assets, and intangible assets at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shares assets are apportioned to individual cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the cash-generating unit, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

### (X) Financial instruments

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

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

#### 1. Financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

##### (1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss and financial assets at amortized cost.

##### A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those that are measured mandatorily at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments that are not designated to be measured at fair value through other comprehensive income as well as investments in debt instruments that do not qualify for measurement at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value with dividends and remeasurement gains or losses recognized in “other income” and “other gains and losses,” respectively. See Note 26 for the method of determining the fair value.

##### B. Financial assets at amortized cost

If the financial assets, in which the Group invests, are aligned with both the following two criteria, such assets are classified as financial assets measured at amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and

b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable at amortized cost, accounts receivable (including related parties), other receivables, and other financial assets), after initial recognition, are measured at the amortized cost of the gross carrying amount determined using the effective interest method, less any impairment losses. Any foreign exchange gains or losses are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of financial assets.

Credit-impaired financial assets means that the issuer or debtor has experienced material financial difficulties or default, and the debtor is likely to file for bankruptcy or other financial restructuring, or the active market for such financial assets has disappeared due to the financial difficulties.

Cash equivalents, including time deposits, are highly liquid and readily convertible into a fixed amount of cash at any time while featuring little risk of value changes and can be used to meet short-term cash commitments within three months from the acquisition date.

## (2) Impairment of financial assets

The Group assesses the impairment loss of financial assets at amortized cost (including notes and accounts receivable) based on the expected credit loss at each balance sheet date.

An allowance for losses on notes and accounts receivable is recognized on the basis of expected credit loss over the duration of the receivables. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, the impairment is recognized in allowance for losses in an amount equal to 12-month expected credit loss. If the risks have increased significantly, the impairment is recognized in allowance for losses at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime expected credit loss represents the

expected credit loss from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

A. Internal or external information indicates that it is impossible for the debtor to settle the debt.

B. It is overdue for more than 180 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

All impairment losses on financial assets are reduced to their carrying amounts through an allowance account for losses.

### (3) Derecognition of financial assets

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

Upon derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss.

## 2. Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, less the cost of direct issue.

The Group's equity instruments repurchased are recognized and debited to equity. The purchase, sale, issue, or cancellation of the Group's equity instruments are not recognized in profit or loss.

## 3. Financial liabilities

### (1) Subsequent measurement

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

### (2) Derecognition of financial liabilities

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

(XI) Revenue recognition

After the Group identifies its performance obligations in contracts with clients, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Merchandise sales revenue

Merchandise sales revenue is mainly from the sales of automatic transmission components. As the merchandise arrives at/is delivered to the location designated by a client, the client has the right to set the price and use the merchandise and assume the main responsibility for reselling the merchandise, while bearing the risk of obsolescence of the merchandise, upon which the Group recognizes it in revenue and accounts receivable.

Revenue is measured at the fair value of the consideration received or receivable, less estimated returns, discounts, and other similar discounts. Returns and discounts are recognized at reasonable estimates of the monetary amount of future returns based on the past experience and other relevant factors.

For outsourced processing with raw materials supplied by the Group, as the control over the ownership of the processed goods has not been transferred, it is not recognized in revenue when the raw materials are supplied.

Service income

The income from processing on order is recognized in revenue when the performance obligation is satisfied over time.

(XII) Leasing

The Group assesses whether a contract belongs to (or contains) a lease on the date of establishment of the contract.

The Group as a lessor

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

The right-of-use assets are initially measured at cost (including the initially measured amount of a lease liability, the lease payment paid before the lease commencement date, less lease incentives received, the initial direct cost,

and the estimated cost of restoring the underlying asset) and subsequently measured at cost, less accumulated depreciation and accumulated impairment loss, with the remeasurement of the lease liability adjusted. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the useful life or the end of the lease term, whichever is earlier.

A lease liability is initially measured at the present value of the lease payment (fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the amount of the fixed payment and the lease term lead to changes in future lease 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 has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XIII) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are included as part of the cost of the asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Except for the above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XIV) Government grants

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

Government grants related to income are recognized in other income on a systematic basis during the periods, in which the Group recognizes the relevant costs, for which the grants are intended to offset, in expenses.

Government grants are recognized in profit or loss during the period, in which they can be received, if they are used to offset incurred expenses or losses or for the purpose of providing immediate financial support to the Group without relevant costs to be incurred in the future.

(XV) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service costs and net interest on net defined benefit assets are recognized in employee benefit expenses when incurred. The remeasurement (including actuarial gains and losses and plan asset remuneration net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss after the balance sheet date.

The net defined benefit liability is the contribution deficit in the defined benefit pension plan.

(XVI) Share-based payment agreement

Employee stock options granted to employees

Employee stock options are recognized in expenses at the fair values of the equity instruments on the grant date and the best estimate of the number of equity instruments that will vest during the vesting period on a straight-line basis, while "capital surplus – employee stock options" is adjusted accordingly. If it is immediately vested on the grant date, the full amount is recognized in expenses on the grant date. The Company transfers treasury shares to employees, and the date of approval by the Board of Directors is adopted as the grant date.

(XVII) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The Group calculates the current income in accordance with the laws and regulations formulated by the authority in the jurisdiction, to which an income tax return should be filed, and calculates the income tax payable accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via the resolution at the annual shareholders' meeting.

Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

All taxable temporary differences are generally in deferred tax liabilities, and deferred tax assets are recognized when it is probable that future taxable income will be available against the income tax credits arising from the deductible temporary differences and carryforward of the unused losses.

Taxable temporary differences associated with investments in subsidiaries are recognized in deferred liabilities, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from the deductible temporary differences related to said investments are recognized in deferred tax assets only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable

that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would ensue in a manner expected by the Company at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

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 credited to equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly credited to equity.

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

When the Group adopts accounting policies, the management is required to make judgments, estimates and assumptions that are based on historical experience and other factors that are not readily apparent from other sources. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If a revision of an estimate affects only the current year, it is recognized in the period in which it is revised. If a revision of an accounting estimate affects both the current year and future periods, it is recognized in the year in which it is revised and in the future periods.

Estimations and Main Sources of Assumption Uncertainties

(I) Estimated impairment of financial assets

The estimated impairment of receivables is based on the Group's assumptions about the probability of default and loss given default. The Group makes assumptions and selects inputs for impairment assessments based on historical

experience, real-time market conditions, and forward-looking information. See Note 8 for critical assumptions and inputs adopted. If the future cash flow is less than expected, significant impairment losses may arise.

(II) Impairment of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. (As an inventory priced at the lower of cost or net realizable value, the Group should exercise judgment and make estimates to determine the net realizable value of the inventory at the end of the financial reporting period.) Such estimates are made based on the real-time market conditions and historical sales of similar products, and changes in such market conditions may significantly affect the results of such estimates.

VI. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 570	\$ 448
Checking and demand deposits in bank	289,024	428,077

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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash equivalents		
Demand deposit in bank with initial duration of more than 3 months	<u>\$169,123</u> <u>\$458,717</u>	<u>\$125,915</u> <u>\$554,440</u>

The range of annual rate of interest of cash equivalents on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits in bank (%)	1.45~4.80	0.12~2.40

The credit ratings of the financial institutions, with which the Group deals are great, and the Group deals with multiple financial institutions at the same time to diversify the risk, so the probability of default is expected to be very low.

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets – current</u>		
<u>Mandatorily at fair value through profit or loss</u>		
Non-derivative financial assets – domestic listed stocks	<u>\$443</u>	<u>\$509</u>

VIII. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable – from business operations		
At amortized cost	<u>\$ 2,489</u>	<u>\$ 5,031</u>
Accounts receivable – from business operations		
At amortized cost		
Gross carrying amount (including related parties)	\$436,363	\$578,732
Less: Allowance for losses	<u>5,389</u> <u>\$430,974</u>	<u>4,867</u> <u>\$573,865</u>

The Group's average credit period for the merchandize sales is 15–205 days. To mitigate the credit risk, the Group's management assigns a team dedicated to determining and approving clients' credit lines and carrying out other monitoring

procedures to ensure that appropriate actions have been taken to recover overdue account receivables. In addition, the Group will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been recognized for the uncollectible receivables. In view of this, the Group's management believes that the credit risk has been significantly reduced.

The Group recognizes an allowance for losses on accounts receivable on the basis of lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix based on each client's past default records, current financial position, economic situation in the industry, and industry outlook. Based on the Group's history of credit losses, as there was no significant difference in the loss patterns among different groups of clients, the groups of clients were not further differentiated in the provision matrix, and only expected credit loss ratio was set based on the number of days for which accounts receivable was past due.

When there was evidence indicating that the counterparty was in severe financial difficulty and the Group could not reasonably expect the amount to be recovered, the Group would write off relevant receivables and continue to collect the overdue receivables. The receivable recovered was recognized in profit or loss.

The table below shows the allowance for losses on receivables based on the Group's provision matrix:

December 31, 2022

	Not past due	Past due by 1–30 days	Past due by 31–90 days	Past due by 90 days or more	Total
Expected credit loss (%)	-	1	5~25	50~100	
Gross carrying amount	\$ 381,257	\$ 42,049	\$ 8,421	\$ 7,125	\$ 438,852
Allowance for losses (lifetime expected credit losses)	-	( 405)	( 1,373)	( 3,611)	( 5,389)
Amortized cost	<u>\$ 381,257</u>	<u>\$ 41,644</u>	<u>\$ 7,048</u>	<u>\$ 3,514</u>	<u>\$ 433,463</u>

December 31, 2021

	Not past due	Past due by 1–30 days	Past due by 31–90 days	Past due by 90 days or more	Total
Expected credit loss (%)	-	1	5~25	50~100	
Gross carrying amount	\$ 487,896	\$ 58,857	\$ 32,124	\$ 4,886	\$ 583,763
Allowance for losses (lifetime expected credit losses)	-	( 558)	( 943)	( 3,366)	( 4,867)
Amortized cost	<u>\$ 487,896</u>	<u>\$ 58,299</u>	<u>\$ 31,181</u>	<u>\$ 1,520</u>	<u>\$ 578,896</u>

The information on the movement in the allowances for losses on receivables is as follows:

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 4,867	\$ 1,275
Impairment loss recognized for this year	585	3,676
Write-offs for this year	( 106)	( 74)
Foreign currency translation difference	<u>43</u>	<u>( 10)</u>
Ending balance	<u>\$ 5,389</u>	<u>\$ 4,867</u>

IX. Inventory

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$240,296	\$193,922
Work in progress	168,993	180,181
Raw materials	84,775	90,099
Supplies	<u>46,011</u>	<u>40,370</u>
	<u>\$540,075</u>	<u>\$504,572</u>

The costs of sales related to inventories for 2022 and 2021 were NT\$1,410,764 thousand and NT\$1,566,626 thousand, respectively, including

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Inventory valuation loss (gain on inventory value recovery)	\$ 15,013	(\$ 4,230)
Loss on inventory scrapped	5,331	19,397
Income from sales of scrap	( 15,663)	( 24,872)
Gain on physical inventory	<u>( 1,164)</u>	<u>( 57)</u>
	<u>\$ 3,517</u>	<u>(\$ 9,762)</u>

Gain on inventory value recovery is caused by the recovery of the market price of the inventory.

X. Other financial assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pledged time deposits (Note 28)	\$ 10,140	\$ 9,799
Guarantee deposits paid	<u>1,736</u>	<u>1,058</u>
	<u>\$ 11,876</u>	<u>\$ 10,857</u>
Current	\$ 9,640	\$ 9,299
Non-current	<u>2,236</u>	<u>1,558</u>
	<u>\$ 11,876</u>	<u>\$ 10,857</u>

The range of annual rate of interest of pledged time deposits on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits in bank (%)	1.33~1.45	0.76~2.38

The credit ratings of the financial institutions, with which the Group deals are great, and the Group deals with multiple financial institutions at the same time to diversify the risk, so the probability of default is expected to be very low.

## XI. Subsidiaries

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Subsidiary	Nature of business	Shareholding (%)	
			December 31, 2022	December 31, 2022
The Company	Giant Finance Inc. ( Giant )	General investment business and international trade	100	100
	All-Aspect International Corp. ( AAI )	General investment business and international trade	100	100
Giant	Business International Corp. ( Business )	General investment business and international trade	100	100
Business	Wuxi Tsang Yow Auto Parts Development, Co., Ltd. (Wuxi Tsang Yow)	production, distribution, and provision of after-sales service for parts used in auto transmission device and related parts, molds used in automobiles and scooters, fixtures, fine blanking dies, precision cavity molds, mold standard parts, and hardware parts.	100	100

The financial statements of the subsidiaries included in the consolidated financial statements have been audited by independent accountants.

## XII. Property, plant and equipment

(I) The movements in costs and accumulated depreciation are as follows:

### 2022

Cost					Equipment to	Total
	Land	Buildings	Machinery and equipment	Other equipment	be accepted and unfinished construction	
Balance as of January 1, 2022	\$ 317,004	\$ 702,668	\$ 1,230,425	\$ 172,457	\$ 34,172	\$ 2,456,726
Additions	-	-	7,873	75,331	( 16,375 )	66,829
Disposal	-	-	( 135,409 )	( 65,979 )	-	( 201,388 )
Net exchange difference	-	2,395	9,012	858	19	12,284
Balance as of December 31, 2022	<u>\$ 317,004</u>	<u>\$ 705,063</u>	<u>\$ 1,111,901</u>	<u>\$ 182,667</u>	<u>\$ 17,816</u>	<u>\$ 2,334,451</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2022	\$ -	\$ 267,942	\$ 649,321	\$ 91,140	\$ -	\$ 1,008,403
Depreciation expenses	-	18,543	90,895	23,607	-	133,045
Disposal	-	-	( 135,283 )	( 30,403 )	-	( 165,686 )
Net exchange difference	-	1,677	6,396	579	-	8,652
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 288,162</u>	<u>\$ 611,329</u>	<u>\$ 84,923</u>	<u>\$ -</u>	<u>\$ 984,414</u>
Balance as of December 31,	<u>\$ 317,004</u>	<u>\$ 416,901</u>	<u>\$ 500,572</u>	<u>\$ 97,744</u>	<u>\$ 17,816</u>	<u>\$ 1,350,037</u>

2022

2021

Cost	Land	Buildings	Machinery and equipment	Other equipment	Equipment to be accepted and unfinished construction	Total
Balance as of January 1, 2021	\$ 317,004	\$ 706,599	\$ 1,436,101	\$ 261,670	\$ 107,333	\$ 2,828,707
Additions	-	-	126,556	20,374	( 73,156)	73,774
Disposal	-	( 3,108)	( 328,804)	( 109,217)	-	( 441,129)
Net exchange difference	-	( 823)	( 3,428)	( 370)	( 5)	( 4,626)
Balance as of December 31, 2021	<u>\$ 317,004</u>	<u>\$ 702,668</u>	<u>\$ 1,230,425</u>	<u>\$ 172,457</u>	<u>\$ 34,172</u>	<u>\$ 2,456,726</u>

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	Land	Buildings	Machinery and equipment	Other equipment	Equipment to be accepted and unfinished construction	Total
<u>Accumulated depreciation</u>						
Balance as of January 1, 2021	\$ -	\$ 253,205	\$ 887,560	\$ 158,992	\$ -	\$ 1,299,757
Depreciation expenses	-	18,398	92,056	31,444	-	141,898
Disposal	-	( 3,108)	( 327,892)	( 99,009)	-	( 430,009)
Net exchange difference	-	( 553)	( 2,403)	( 287)	-	( 3,243)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 267,942</u>	<u>\$ 649,321</u>	<u>\$ 91,140</u>	<u>\$ -</u>	<u>\$ 1,008,403</u>
Balance as of December 31, 2021	<u>\$ 317,004</u>	<u>\$ 434,726</u>	<u>\$ 581,104</u>	<u>\$ 81,317</u>	<u>\$ 34,172</u>	<u>\$ 1,448,323</u>

(II) Useful lives

The Group's property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings

Main buildings of plants	20 or 50 years
Electrical and automated equipment	5 years
Landscape engineering and fences	7–15 years
Machinery and equipment	3–15 years
Other equipment	5–20 years

Please refer to Note 28 for the amount of property, plant and equipment, pledged by the Group as collateral for borrowings.

(III) Investing activities that affect both cash and non-cash items

	<u>2022</u>	<u>2021</u>
Increase in property, plant and equipment	\$ 66,829	\$ 73,774
Decrease in prepayments for business facilities	( 4,747)	( 21,078)
Interest capitalization	( 390)	( 877)
Decrease (increase) in payables for machinery and equipment	<u>2,953</u>	<u>( 1,209)</u>
Cash paid for purchase of property, plant and equipment	<u>\$ 64,645</u>	<u>\$ 50,610</u>

XIII. Lease agreements

(I) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		

Land	\$ 11,411	\$ 11,597
Transportation equipment	<u>3,886</u>	<u>1,191</u>
	<u>\$ 15,297</u>	<u>\$ 12,788</u>

	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 4,349</u>	<u>\$ 1,295</u>
Right-of-use asset depreciation expense		
Land	\$ 369	\$ 362
Transportation equipment	<u>1,654</u>	<u>1,378</u>
	<u>\$ 2,023</u>	<u>\$ 1,740</u>

The land refers to the land use right located in mainland China, which is amortized on a straight-line basis over a lease term of 50 years to 143 years.

Except for the above additions and depreciation expenses recognized, there were no major subleases and impairments of the Group's right-of-use assets during 2022 and 2021.

(II) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 1,828</u>	<u>\$ 597</u>
Non-current	<u>\$ 2,081</u>	<u>\$ 602</u>

The range of discount rates (%) for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Transportation equipment	1.37–1.38	1.37–1.75

(III) Other leasing information

	<u>2022</u>	<u>2021</u>
Low-value asset lease expenses	<u>\$ 292</u>	<u>\$ 294</u>
Total cash outflows from leases	<u>\$ 1,981</u>	<u>\$ 1,692</u>

The Group has elected to apply the recognition exemptions to the leasing of photocopiers that qualify as low-value asset leases and does not recognize such leases in relevant right-of-use assets and lease liabilities.

XIV. Other current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Excess business tax paid	\$ 9,987	\$ 6,269
Prepaid expenses	2,335	2,227
Prepayments to suppliers	1,000	878
Others	<u>4,247</u>	<u>4,491</u>
	<u>\$ 17,569</u>	<u>\$ 13,865</u>

## XV. Borrowings

### (I) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank borrowings		
Unsecured borrowings	<u>\$100,000</u>	<u>\$221,520</u>

The rates of annual interest on the above short-term borrowings are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured borrowings in bank (%)	1.40~1.55	0.84~0.89

### (II) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings (Note 28)	\$467,143	\$567,263
Unsecured borrowings	<u>161,646</u>	<u>356,956</u>
	628,789	924,219
Less: Current portion	<u>133,611</u>	<u>149,501</u>
Long-term borrowings	<u>\$495,178</u>	<u>\$774,718</u>

Details are as follows:

<u>Borrowings</u>	<u>Due date</u>	<u>Major terms</u>	<u>Rate of annual interest (%)</u>	<u>December 31, 2022</u>	<u>December 31, 2022</u>
Secured borrowings					
First Commercial Bank	2025.12	It will be amortized in 12 installments (each installment is made every six months) since June 2020.	1.85	\$ 170,000	\$ 190,000
E.SUN Bank	2033.11	It was amortized in 156 installments from December 2020.	1.68	89,302	96,827
Mega International Commercial Bank	2028.11	It was amortized in 120 installments from December 2018.	1.73	88,750	103,750
The Shanghai Commercial & Savings Bank, Ltd.	2028.03	It was amortized in 40 installments from June 2018.	1.78	89,091	106,061
The Shanghai Commercial & Savings Bank,	2024.10	It was amortized in 20 installments from January 2020.	1.78	20,000	30,000

Ltd.						
The Shanghai Commercial & Savings Bank, Ltd.	2027.08	It began from August 2022 with the grace period of one year and was amortized in 16 installments from November 2023.	1.78	10,000	-	
First Commercial Bank	2024.01	It began from February 2020 and was amortized in 48 monthly installments and has been paid off early in December 2022.	-	-	40,625	
Unsecured borrowings						
First Commercial Bank	2022.01	Revolving credit line	1.91	-	140,000	
Mega International Commercial Bank	2023.01	Revolving credit line	1.68	40,000	80,000	
E.SUN Bank	2024.09	It was amortized in 36 monthly installments from October 2021.	1.53	64,646	100,956	
E.SUN Bank	2025.12	It was amortized in 36 monthly installments from January 2023.	1.53	45,000	-	
Taipei Fubon Bank	2023.06	It was amortized in 30 monthly installments from January 2021.	1.81	12,000	36,000	
				<u>\$ 628,789</u>	<u>\$ 924,219</u>	

#### XVI. Notes and accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes payable	<u>\$ 7,709</u>	<u>\$ 10,896</u>
Accounts payable (including related parties)	<u>\$285,653</u>	<u>\$382,434</u>

The above payments are all incurred due to business operations. The credit period for raw material purchases is 30 to 120 days. The Group has a financial risk management policy in place to ensure that all payables are repaid within the pre-agreed credit period.

#### XVII. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other payables</u>		
Salary and wages and bonuses payable	\$ 49,898	\$ 47,350
Bonus payable for unused paid leave	10,441	10,811
Payables for machinery and equipment	6,309	9,262
Remuneration payable to employees and directors (Note 21)	18,312	3,293
Others	<u>40,206</u>	<u>49,222</u>
	<u>\$125,166</u>	<u>\$119,938</u>

Non-related parties	\$125,166	\$119,650
Related parties	<u>-</u>	<u>288</u>
	<u>\$125,166</u>	<u>\$119,938</u>
<u>Other current liabilities</u>		
Refund liabilities	\$ 904	\$ 1,122
Other advance receipts	63,234	37,388
Others	<u>306</u>	<u>1,513</u>
	<u>\$ 64,444</u>	<u>\$ 40,023</u>

#### XVIII. Post-employment benefit plan

##### (I) Defined contribution pension plan

The Company adopted a pension scheme under the Labor Pension Act, which is a government-managed defined contribution plan. Under the act, the Company makes monthly contributions, equal to 6% of their monthly salary and wages, to employees' individual pension accounts under the Bureau of Labor Insurance.

Wuxi Tsang Yow, a subsidiary of the Group, contributes to the pension insurance funds managed by relevant government departments based on local wages in accordance with the local laws and regulations. It is also a defined contribution pension plan. The remaining subsidiaries have not yet formulated a pension plan.

##### (II) Defined benefit plan

The pension scheme adopted by the Company in accordance with the Labor Standards Act of R.O.C. is a government-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the six months prior to the approved retirement date. The Company makes a contribution, equal to a certain percentage of the total monthly employee salaries, which is deposited by the Supervisory Committee of Labor Retirement Reserve in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits to employees who meet the retirement requirements in the following year, the Group will make a contribution to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence its investment management strategy.

The amounts included in the consolidated balance sheets in respect of such defined benefit plans are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 14,079	\$ 16,363
Fair value of plan assets	( <u>8,234</u> )	( <u>6,565</u> )
Net defined benefit liability	<u>\$ 5,845</u>	<u>\$ 9,798</u>

The movements in the net defined benefit assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance as of January 1, 2021	<u>\$ 18,600</u>	( <u>\$ 10,019</u> )	<u>\$ 8,581</u>
Service costs			
Current service costs	44	-	44
Interest expense (income)	<u>55</u>	( <u>28</u> )	<u>27</u>
Recognized in profit or loss	<u>99</u>	( <u>28</u> )	<u>71</u>
Remeasurement			
Return on plan assets	-	( 404 )	( 404 )
Actuarial loss – experience adjustments	3,128	-	3,128
Actuarial loss – changes in demographic assumptions	717	-	717
Actuarial gain – changes in financial assumptions	( <u>661</u> )	-	( <u>661</u> )
Recognized in other comprehensive income	<u>3,184</u>	( <u>404</u> )	<u>2,780</u>
Employer’s contributions	<u>-</u>	( <u>1,634</u> )	( <u>1,634</u> )

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Benefit payment	( <u>\$ 5,520</u> )	<u>\$ 5,520</u>	<u>\$ -</u>
Balance as of December 31, 2021	<u>16,363</u>	( <u>6,565</u> )	<u>9,798</u>
Interest expense (income)	<u>110</u>	( <u>42</u> )	<u>68</u>
Recognized in profit or loss	<u>110</u>	( <u>42</u> )	<u>68</u>
Remeasurement			
Return on plan assets	-	( <u>796</u> )	( <u>796</u> )
Actuarial gain – experience adjustments	( <u>941</u> )	-	( <u>941</u> )
Actuarial gain – changes in financial assumptions	( <u>842</u> )	-	( <u>842</u> )
Recognized in other comprehensive income	( <u>1,783</u> )	( <u>796</u> )	( <u>2,579</u> )
Employer’s contributions	-	( <u>1,442</u> )	( <u>1,442</u> )
Benefit payment	( <u>611</u> )	<u>611</u>	-
Balance as of December 31, 2022	<u>\$ 14,079</u>	( <u>\$ 8,234</u> )	<u>\$ 5,845</u>

The Company is exposed to the following risks due to the pension scheme stem under the Labor Standards Act:

1. Investment risk

The Bureau of Labor Funds, Ministry of Labor, invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits for its own use and through agencies entrusted. However, the income from the Company’s amount allocated to plan assets is calculated based on the interest rate not lower than the local bank’s interest rate for two-year time deposits.

2. Interest risk

A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt

investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.

### 3. Salary risk

The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. Therefore, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.4	0.75
Expected salary increase (%)	1.5	1.50

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	( <u>\$330</u> )	( <u>\$419</u> )
Decrease by 0.25%	<u>\$341</u>	<u>\$435</u>
Expected salary increase (%)		
Increase by 0.25%	<u>\$330</u>	<u>\$419</u>
Decrease by 0.25%	( <u>\$321</u> )	( <u>\$406</u> )

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The expected contributions to the plan for the following year	<u>\$ 2,133</u>	<u>\$ 1,474</u>
The weighted average	11 years	12 years

duration of the defined  
benefit obligations

XIX. Equity

(I) Ordinary share capital

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital stock	\$ 1,500,000	\$ 1,500,000

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	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares issued and fully paid (in thousands)	<u>103,087</u>	<u>103,087</u>
Share capital already publicly offered	<u>\$1,030,865</u>	<u>\$1,030,865</u>

The ordinary shares issued are at a par value of NT\$10 per share, and each share is entitled to one vote and receive dividends.

(II) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset losses, pay out cash, or capitalize equity		
<u>Additional paid-in capital</u>		
– issuance of shares	\$145,471	\$145,471
Treasury shares traded	<u>5,061</u>	<u>5,061</u>
	<u>\$150,532</u>	<u>\$150,532</u>

Note: Such capital surplus may be used to offset losses or, when the Company has no losses, to pay out cash or to capitalize equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

As per the earnings distribution policy under the Articles of Incorporation, where the Company makes a profit for a fiscal year, the profit shall be first used for paying the tax in accordance with the laws and regulations, offsetting the cumulative deficit, providing 10% of the remaining profit as a legal reserve, providing an amount for or reversing a special reserve in accordance with the laws and regulations or operational needs; and then any remaining profit, together with any cumulative undistributed retained earnings, shall be adopted by the Company's Board of Directors as the basis for making a distribution proposal, which shall then be submitted to the shareholders' meeting for a resolution before distribution of dividends to shareholders.

In addition, in accordance with the Articles of Incorporation, when the dividends and bonuses are paid out in cash, it shall be adopted by

supermajority resolution of the Board of Directors and reported to the shareholders' meeting.

The Company will consider the industry condition and the growth stage of the Company to meet capital needs and cash flow demands from the shareholders in alignment with the long-term financial plan. Therefore, a certain percentage of distributable earnings will be provided for shareholder dividends, of which the cash dividends shall not be lower than 10% of all dividends to be paid out. The types and percentages of such dividends may be adjusted depending on the year's profit and capital needs by the resolution of the shareholders' meeting.

An amount shall be provided to the legal reserve, unless the balance reaches the amount of the Company's total paid-in capital. The legal reserve may be used to offset losses. If there is no loss, when the amount of the legal reserve is 25% more than the paid-in capital, it can be used to contribute to the share capital and paid out in cash.

The Company's 2021 and 2020 earnings distribution proposals are as follows:

	Earnings distribution proposals		Dividend per share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$ 2,738	\$ 557		
Special reserve (reversed)	3,718	( 1,690)		
Cash dividend to shareholders	30,704	30,538	\$ 0.30	\$ 0.30

The distribution of the above cash dividends has been approved by the resolutions of the Board of Directors in March 2022 and March 2021, respectively, and the rest of the items distributed from the earnings were also approved by the resolution of the general shareholders' meetings in June 2022 and July 2021, respectively.

The 2022 earnings distribution proposal made by the Board of Directors in March 2023 is as follows:

	Earnings distribution proposals	Dividend per share (NTD)
Legal reserve	\$ 16,745	
Special reserve (reversed)	( 12,761)	
Cash dividend to	112,581	\$ 1.10

shareholders

The distribution of the above cash dividends has been approved by the resolution of the Board of Directors, and the remaining items are pending resolution by the general shareholders' meeting scheduled to be held in June 2023.

(IV) Special reserve

The special reserve of NT\$19,782 thousand, which was provided for the exchange differences arising from the translation of the financial statements of foreign operations due to the application of IFRSs for the first time, will be reversed in proportion to the Group's disposal of foreign operations. When the Group loses significant influence, it will all be reversed. When the earnings are distributed, a special reserve should be provided for the difference between the net deduction of other equity items at the end of the reporting period and the special reserve provided due to the application of IFRSs for the first time. If there is a subsequent reversal of the net deduction of other equity items, the earnings may be distributed for the reversed portion.

(V) Other equity – exchange differences arising from the translation of the financial statements of foreign operations

	2022	2021
Opening balance	(\$ 44,054)	(\$ 40,336)
Exchange differences arising from the translation of the financial statements of foreign operations	15,951	( 4,647)
Relevant income taxes	( 3,190)	929
Ending balance	(\$ 31,293)	(\$ 44,054)

(VI) Treasury shares

	Shares transferred to employees	
	In thousands of shares	Amount
Balance as of January 1, 2021	1,294	\$ 22,477
Transferred during this year	( 554)	( 10,697)
Balance as of December 31, 2021	740	\$ 11,780

Balances as of January 1, 2022 and December 31, 2022	<u>740</u>	<u>\$ 11,780</u>
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The Company transferred the treasury shares to employees by the resolution of the Board of Directors on May 10, 2021 (grant date). A total of 554,000 treasury shares were transferred, and the cost of repurchase was NT\$10,697 thousand. The Company has recognized the cost of employee remuneration of NT\$5,043 thousand on the grant date and transferred 554,000 shares to employees at a price of NT\$19.34 per share in August 2021, and, thus, recognized NT\$5,061 thousand in capital surplus – treasury shares. See Note 24.

The treasury share held by the Company must not be pledged in accordance with the Securities and Exchange Act, nor shall they be entitled to dividends paid out and votes.

XX. Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Merchandise sales revenue	\$ 1,772,202	\$ 1,801,270
Income from processing	17,411	24,537
Income from sales of electricity	<u>1,330</u>	<u>-</u>
	<u>\$ 1,790,943</u>	<u>\$ 1,825,807</u>

(I) See Note 4 (11) for details of contracts with customers.

(II) Balance of contracts

	<u>December 31, 2022</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and accounts receivable (Note 8)	<u>\$ 433,463</u>	<u>\$ 578,896</u>	<u>\$ 629,086</u>
Contract liabilities – current			
Merchandise sales	<u>\$ 18,387</u>	<u>\$ 4,494</u>	<u>\$ 4,729</u>

The movement in contract liabilities mainly arises from the difference between the point at which performance obligations are satisfied and the point

at which customers pay. There were no other major movements during 2022 and 2021.

The amounts recognized in revenue for this period from the contract liabilities at the beginning of the year and the performance obligations that have been fulfilled in the prior period are as follows:

	<u>2022</u>	<u>2021</u>
Contract liabilities at the beginning of the year		
Merchandise sales	<u>\$ 3,682</u>	<u>\$ 3,523</u>

(III) Breakdown of revenue from contracts with customers

See Note 32 for the breakdown of revenue.

XXI. Net income before tax

Net income before tax includes the following items:

(I) Other gains and losses

	<u>2022</u>	<u>2021</u>
Net gain (loss) on disposal of property, plant and equipment	(\$ 1,390)	\$ 19,093
Net foreign exchange gain (loss)	51,271	( 19,886)
Government grants	603	133
Compensation proceeds	-	4,096
Others	<u>4,389</u>	<u>6,954</u>
	<u>\$ 54,873</u>	<u>\$ 10,390</u>

(II) Financial costs

	<u>2022</u>	<u>2021</u>
Interest on borrowings	\$ 13,377	\$ 11,242
Interest on lease liabilities	50	20
Less: Amounts included in the cost of qualifying assets	<u>390</u>	<u>877</u>
	<u>\$ 13,037</u>	<u>\$ 10,385</u>

Information on interest capitalization is as follows:

	<u>2022</u>	<u>2021</u>
Amount of capitalized interest	\$ 390	\$ 877
Rate of annual interest on interest capitalization (%)	0.90~1.61	0.94~1.12

(III) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$133,045	\$141,898
Right-of-use assets	2,023	1,740
Intangible assets	<u>5,478</u>	<u>5,212</u>
	<u>\$140,546</u>	<u>\$148,850</u>
Depreciation expenses aggregated by function		
Operating costs	\$114,140	\$121,732
Operating expenses	<u>20,928</u>	<u>21,906</u>
	<u>\$135,068</u>	<u>\$143,638</u>
Amortization expenses aggregated by function		
Operating costs	\$ 982	\$ 823
Operating expenses	<u>4,496</u>	<u>4,389</u>
	<u>\$ 5,478</u>	<u>\$ 5,212</u>

(IV) Employee benefit expenses

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$379,806</u>	<u>\$378,739</u>
Post-employment benefits		
Defined contribution pension plan	21,838	22,223
Defined benefit plans (Note 18)	<u>68</u>	<u>71</u>
	<u>21,906</u>	<u>22,294</u>
Share-based payment (Note 24)	<u>-</u>	<u>5,043</u>
	<u>\$401,712</u>	<u>\$406,076</u>

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	<u>2022</u>	<u>2021</u>
Aggregated by function		
Operating costs	\$284,554	\$294,355
Operating expenses	<u>117,158</u>	<u>111,721</u>
	<u>\$401,712</u>	<u>\$406,076</u>

(V) Employee remuneration and directors' remuneration

The Company provides no lower than 3% of the year's income before tax (before employee remuneration and directors' remuneration are deducted) as employee remuneration and no higher than 5% of the balance as directors' remuneration. The 2022 and 2021 employee remuneration and directors' remuneration decided to be paid out in cash by the resolution of the Board of Directors in March 2023 and 2022, respectively, are as follows:

	<u>2022</u>	<u>2021</u>
<u>Percentages for estimation</u>		
Employee remuneration (%)	5.4	5.4
Director's remuneration (%)	2.7	2.7
<u>Amount</u>		
Employee remuneration	\$ 12,208	\$ 2,195
Director's remuneration	6,104	1,098

If there is a change in the amount after the release date of the annual consolidated financial statements are approved, the change will be accounted for as a change in accounting estimate and the adjustment accounted for in the following year.

There is no difference between the amounts of remuneration paid out to employees and directors for 2021 and 2020 and the amounts recognized in the 2021 and 2020 consolidated financial statements.

Please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange for the information on the remuneration to employees and directors resolved by the Company's Board of Directors.

(VI) Net foreign exchange gain (loss)

	<u>2022</u>	<u>2021</u>
Total foreign exchange gain	\$ 95,025	\$ 19,444

Total foreign exchange loss	( 43,754)	( 39,330)
Net foreign exchange gain (loss)	<u>\$ 51,271</u>	<u>(\$ 19,886)</u>

## XXII. Income tax

### (I) Income tax recognized in profit or loss

The main components of income tax expenses are as follows:

	<u>2022</u>	<u>2021</u>
Current income tax		
Incurred during this year	\$ 42,261	\$ 1,013
Adjustment to the prior years	<u>555</u>	<u>( 136)</u>
	42,816	877
Deferred tax		
Incurred during this year	<u>( 8,755)</u>	<u>4,377</u>
Income tax expenses recognized in profit or loss	<u>\$ 34,061</u>	<u>\$ 5,254</u>

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

	<u>2022</u>	<u>2021</u>
Net income before tax	<u>\$ 199,451</u>	<u>\$ 34,860</u>
Income tax expenses calculated at the statutory tax rate or preferential tax rate	\$ 42,348	\$ 7,960
Income included for tax	270	421
Effect of deferred tax on subsidiary earnings	<u>( 8,077)</u>	<u>( 3,057)</u>
Tax-free income	<u>( 9)</u>	<u>614</u>
Unrecognized loss carryforwards	<u>( 1,026)</u>	<u>( 548)</u>
Adjustment to the prior years	<u>555</u>	<u>( 136)</u>
Income tax expenses recognized in profit or loss	<u>\$ 34,061</u>	<u>\$ 5,254</u>

The tax rate that applies to each entity in the Group under the Income Tax Act of the Republic of China is 20%; the statutory tax rate that applies to subsidiaries in China is 25%; however, as the subsidiaries qualify as high-tech

enterprises, the enterprise income tax can be levied at a rate of 15% from 2021 through 2023.

(II) Income tax expenses recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
Deferred tax benefit		
Remeasurement of defined benefit plans	(\$ 516)	\$ 556
Exchange differences arising from foreign operations	( 3,190)	929
	<u>(\$ 3,706)</u>	<u>\$ 1,485</u>

(III) Current income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax assets		
Tax refund receivable	<u>\$ 431</u>	<u>\$ 738</u>
Current income tax liabilities		
Income tax payable	<u>\$ 41,012</u>	<u>\$ -</u>

(IV) Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities are as follows:

2022

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange difference</u>	<u>Ending balance</u>
<u>Deferred tax assets</u>					
Temporary difference					
Defined benefit pension plan	\$ 1,984	(\$ 277)	(\$ 516)	\$ -	\$ 1,191
Exchange differences arising from foreign operations	3,210	-	( 3,190)	-	20
Unrealized inventory loss	43,240	( 2,373)	-	224	41,091
Unrealized exchange loss	2,610	( 2,610)	-	-	-
Others	<u>5,587</u>	<u>1,054</u>	<u>-</u>	<u>35</u>	<u>6,676</u>

	56,631	( 4,206)	( 3,706)	259	48,978
Loss carryforwards	<u>9,696</u>	<u>6,457</u>	<u>-</u>	<u>9</u>	<u>16,162</u>
	<u>\$66,327</u>	<u>\$ 2,251</u>	<u>(\$ 3,706)</u>	<u>\$ 268</u>	<u>\$65,140</u>
<u>Deferred tax liabilities</u>					
Temporary difference					
Investment income recognized using the equity method	\$ 10,708	(\$ 8,077)	\$ -	\$ -	\$ 2,631
Unrealized exchange gain	-	1,959	-	-	1,959
Others	<u>386</u>	<u>( 386)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,094</u>	<u>(\$ 6,504)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,590</u>

## 2021

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	Ending balance
<u>Deferred tax assets</u>					
Temporary difference					
Defined benefit pension plan	\$ 1,740	(\$ 312)	\$ 556	\$ -	\$ 1,984
Exchange differences arising from foreign operations	2,281	-	929	-	3,210
Unrealized inventory loss	58,072	( 14,763)	-	( 69)	43,240
Unrealized exchange loss	2,359	251	-	-	2,610
Others	<u>7,196</u>	<u>( 1,579)</u>	<u>-</u>	<u>( 30)</u>	<u>5,587</u>
	71,648	( 16,403)	1,485	( 99)	56,631
Loss carryforwards	<u>635</u>	<u>9,043</u>	<u>-</u>	<u>18</u>	<u>9,696</u>
	<u>\$72,283</u>	<u>(\$ 7,360)</u>	<u>\$ 1,485</u>	<u>(\$ 81)</u>	<u>\$66,327</u>
<u>Deferred tax liabilities</u>					
Temporary difference					
Investment income recognized	\$ 13,765	(\$ 3,057)	\$ -	\$ -	\$ 10,708

using the equity method					
Others	<u>312</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>386</u>
	<u>\$14,077</u>	<u>(\$ 2,983)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,094</u>

(V) Unused loss carryforwards

As of December 31, 2022, the information on unused loss carryforwards is as follows:

Balance of unused loss carryforwards		Last valid year
<u>\$ 7,797</u>		2019
36,263		2031
<u>62,924</u>		2032
<u>\$ 106,984</u>		

(VI) Income tax return approval

The Company's profit-seeking enterprise income tax returns filed up to 2020 have been approved by the tax authority.

The enterprise income tax returns filed by the subsidiary, Wuxi Tsang Yow, filed up to 2021 have been completed by the local tax authority.

XXIII. Earnings per Share

The net income and weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net income for this year

	<u>2022</u>	<u>2021</u>
Net income attributable to the owners of the Company used to calculate basic and diluted earnings per share	<u>\$165,390</u>	<u>\$ 29,606</u>

Number of shares

	Unit: In thousands of shares	
	<u>2022</u>	<u>2021</u>
The weighted average number of ordinary shares used to calculate basic earnings per share are as follows:	102,347	101,986
Effect of dilutive potential ordinary shares		
Employee remuneration	<u>560</u>	<u>94</u>
The weighted average number of ordinary shares used to	<u>102,907</u>	<u>102,080</u>

calculate diluted earnings per share are as follows:

If the Company may elect to pay employee remuneration in stock or cash, when diluted earnings per share are calculated, it is assumed that employee remuneration will be paid out in stock, and when the ordinary shares are potentially dilutive, they will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilution effect of such potential ordinary shares will also continue to be considered when the diluted earnings per share is calculated before the following year's shareholders' meeting resolves a decision on the number of shares distributed for employee remuneration.

XXIV. Share-based payment agreement

To motivate employees and enhance their commitment, the Company's rules of share repurchase and transfer to employees were approved by the resolution of the Board of Directors in November 2018. It clearly stipulates those employees are entitled to the right to subscribe for such shares. After deliberation and approval by the Remuneration Committee in May 2021, 554,000 treasury shares can be purchased at a subscription price of NT\$19.34, and those to whom the shares can be granted include the Company's employees who meet specific criteria.

The information on employee stock options for treasury shares is as follows:

	2021	
Employee stock options	Unit (in thousands of shares)	Weighted average Exercise price (NTD)
Outstanding at the beginning of the year	-	\$ -
Granted during this year	554	19.34
Exercised during this year	( <u>554</u> )	19.34
Outstanding at the end of the year	<u>          -</u>	

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<u>Employee stock options</u>	<u>2021</u>	
	<u>Unit (in thousands of shares)</u>	<u>Weighted average Exercise price (NTD)</u>
Weighted average fair value of employee stock options granted this year (NTD)	\$ 9.10	

The employee stock options granted by the Company in May 2021 were based on the Black-Scholes valuation model, and the parameters used in the valuation model are as follows:

Share price on grant date (NTD)	28.15
Exercise price (NTD)	19.34
Expected volatility (%)	26.40
Duration	82 days
Risk-free interest rate (%)	0.11

Expected volatility is based on the past historical stock price volatility.

The Company recognized NT\$5,061 thousand in capital surplus – stock options for 2021.

#### XXV. Capital risk management

The Group conducts capital management to ensure that each company in the group has the ability to continue as a going concern and then maximize shareholder returns by optimizing the balances of debt and equity. The Group's overall strategy has not undergone any change in the most recent two years.

The Group does not need to follow other external capital requirements.

#### XXVI. Financial instruments

##### (I) Fair value information – financial instruments not measured at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities not at fair value approximate their fair values.

##### (II) Fair value information – financial instruments measured at fair value on a recurring basis

##### Fair value hierarchy

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				

Domestic listed stocks      \$443      \$ -      \$ -      \$433  
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	Level 1	Level 2	Level 3	Total
December 31, 2021				
Financial assets at fair value through profit or loss				
Domestic listed stocks	<u>\$ 509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 509</u>

There were no transfers between Level 1 and Level 2 fair values during the years ended December 31, 2022 and 2021.

(III) Types of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Mandatorily at fair value through profit or loss	\$ 443	\$ 509
Financial assets at amortized cost (Note 1)	922,987	1,146,121
Financial liabilities		
at amortized cost (Note 2)	1,148,221	1,660,129

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, among other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, notes payable, accounts payable (including related parties), other payables (including related parties), refund liabilities (recognized in other current liabilities), long-term borrowings – current portion, long-term borrowings, among other financial liabilities at amortized cost.

(IV) Purpose and policy of financial risk management

The Group's main financial instruments include notes receivable, accounts receivable, other financial assets, notes payable, accounts payable, borrowings, and lease liabilities. The Group's Financial Management Department provides services to each business unit, coordinates the operations of investments in the financial markets, and supervises and manages the financial risks related to the Group's operations by analyzing the exposures. Such risks include market risks (including exchange rate risk and interest rate risk), credit risk, and liquidity risk.

The Financial Management Department reports to the Group's management per quarter.

1. Market risks

The main financial risk arising from the operating activities to the Group is the risk of movements in foreign exchange rates.

(1) Exchange rate risk

The Group engages in foreign currency-denominated sales and purchases and is thus exposed to the risk of exchange rate fluctuations.

Please refer to Note 30 for the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date, including monetary items denominated in non-functional currencies that have been written off from the consolidated financial statements.

Sensitivity analysis

The Group is mainly affected by the exchange rate fluctuations of the USD.

The table below shows the Group's sensitivity analysis when the exchange rate of the Group's functional currency against each of relevant foreign currencies increased and decreased by 1%. One percent is the sensitivity rate used in reporting the exchange rate risk to the key management team within the Group and represents the management's assessment of the reasonable range of potential changes in foreign-currency exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation, and the translation at the end of the year is adjusted with 1% as the exchange rate change. The sensitivity analysis covers overseas deposits, borrowings, receivables, and payables. The positive numbers in the table below represent the amount of net income before tax would increase when the functional currency depreciated by 1% against each of relevant foreign currencies; when the functional currency appreciated by 1% against each of relevant foreign currencies, the impact on the net

income before tax would be the same amounts in negative numbers.

	<u>Influence of USD</u>	
	<u>2022</u>	<u>2021</u>
Profit or loss	\$ 3,531	\$ 3,653

(2) Interest risk

The carrying amounts of the Group's financial assets and financial liabilities exposed to the interest rate risk on the balance sheet date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
Financial assets	\$ 500	\$ 500
Financial liabilities	3,909	1,199
Cash flow interest rate risk		
Financial assets	463,718	560,085
Financial liabilities	728,789	1,145,739

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For assets and liabilities at floating rates, the analysis is based on the assumption that the amounts of the assets and liabilities outstanding at the balance sheet date were all outstanding throughout the reporting period.

If the interest rate decreased/increased by 1%, with all other variables remaining unchanged, the Group's net income before tax for 2022 and 2021 would have decreased/increased by NT\$2,651 thousands and NT\$5,857 thousands, respectively, mainly due to the Group's bank borrowings and deposits in bank at floating rates.

2. Credit Risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. As of the balance sheet date, the Group's maximum exposure to credit risk of financial loss due to non-performance by counterparties is mainly from the carrying amount of financial assets recognized in consolidated balance sheets.

The Group only engages in transactions with financial institutions and counterparties with great credit ratings and obtains sufficient collateral when necessary to reduce the risk of financial losses due to default. The Group uses other publicly available financial information and mutual transaction records to rate major clients' credit. The Group continues to monitor the credit risk and counterparties' credit ratings and distributes the total transaction amount to clients with qualified credit ratings, while controlling the credit risk by monitoring their annual credit limits.

When the Group's credit risk is relatively concentrated on certain clients, most of whom engage in similar business activities and have similar economic characteristics, and their ability to perform contractual agreements is also similarly influenced by their economic position or other conditions, then a significant credit risk concentration may arise. The balance of accounts receivable from clients with significant credit risk concentration is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Group A	\$188,352	\$174,670
Group B	70,633	87,921
Group C	11,836	82,267
Group D	<u>44,111</u>	<u>59,382</u>
	<u>\$314,932</u>	<u>\$404,240</u>

### 3. Liquidity risk

The ultimate responsibility for the Group's liquidity risk management lies with the Board of Directors, which has established an appropriate liquidity risk management framework to meet the Group's financing and liquidity management needs.

#### Table of liquidity and interest rate risk

The table below details the Group's analysis of the remaining contractual maturities of non-derivative financial liabilities, which was prepared based on the undiscounted cash flows of the financial liabilities based on the earliest possible date on which the Group can be required to make repayment.

	Repayment on demand or less than	1-3	3 months-	1-5 years
	1 month	months	1 year	
<u>December 31, 2022</u>				
Non-derivative financial assets				
Floating rate instruments	\$ -	\$133,932	\$109,050	\$513,882
Lease liabilities	156	311	1,401	2,099
Non-interest-bearing liabilities				
	<u>102,017</u>	<u>298,025</u>	<u>18,846</u>	<u>-</u>
	<u>\$102,173</u>	<u>\$432,268</u>	<u>\$128,937</u>	<u>\$515,981</u>
<u>December 31, 2021</u>				
Non-derivative financial assets				
Floating rate instruments	\$ -	\$215,120	\$163,877	\$791,408
Lease liabilities	81	161	366	607
Non-interest-bearing liabilities				
	<u>76,980</u>	<u>432,753</u>	<u>3,535</u>	<u>-</u>
	<u>\$ 77,061</u>	<u>\$648,034</u>	<u>\$167,778</u>	<u>\$792,015</u>

The amount of floating rate instruments of the above non-derivative financial assets and liabilities will change with the difference between the floating rates and the estimated rates on the balance sheet date.

#### XXVII. Related Party Transactions

All intra-group transactions, account balances, income, and expenses are eliminated in full upon consolidation and, thus, not disclosed in this note. The transactions between the Group and related parties are as follows.

(I) Name of related party and relations therewith

<u>Name of related party</u>	<u>Relations with the Group</u>
Su, Chi-Tse	Chairman
Sun Forging Industrial Co., Ltd. (Sun)	Substantive related party
Jin Shiang Forging Co., Ltd. (Jin)	Substantive related party

Shiang)  
 Linesoon Industrial Co., Ltd. Substantive related party  
 (Linesoon)

(II) Operating revenue

Account	Category/Name of related party	2022	2021
Operating revenue	Substantive related party	<u>\$ 3,250</u>	<u>\$ 1,780</u>

The Group did not sell similar goods to non-related parties, so there was no transaction price of the same kind available for comparison. The payment term is not significantly different from that for non-related parties, which is net 60 days at the end of each month.

(III) Purchases

Category/Name of related party	2022	2021
Substantive related party	<u>\$ 40,613</u>	<u>\$ 61,915</u>

The Group did not buy the same kind of goods from non-related parties, so there was no related transaction price available for comparison. The payment term is the same as that for non-related parties, which is net 60 to 120 days at the end of each month.

(IV) Accounts receivable from and payable to related parties

The balances at the balance sheet date are as follows:

Account	Category/Name of related party	December 31, 2022	December 31, 2021
Accounts receivable	Substantive related party	<u>\$ 1,965</u>	<u>\$ 959</u>
Accounts payable	Substantive related party	<u>\$ 10,017</u>	<u>\$ 21,264</u>
Other payables	Substantive related party	<u>\$ -</u>	<u>\$ 288</u>

The outstanding balance of accounts payable and other payables is not secured with collateral and will be settled in cash, and the receivables from related parties are not guaranteed. An allowance for losses on the receivables from related parties for 2022 and 2021 was not provided.

(V) Remuneration for key management

The total remuneration for directors and other key management personnel is as follows:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 25,572	\$ 12,780
Share-based payment	-	1,156
Post-employment benefits	<u>378</u>	<u>295</u>
	<u>\$ 25,950</u>	<u>\$ 14,231</u>

The remuneration to directors and other key management personnel is determined by the Remuneration Committee depending on individual performance and the market trends.

(VI) Guarantee

Part of the Group's financial loan facilities are jointly guaranteed by the Chairman. The information is as follows:

<u>Category/Name of related party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Chairman		
Amount guaranteed	\$ 1,147,130	\$ 1,074,560
Less: Amount drawn	<u>350,396</u>	<u>412,226</u>
	<u>\$ 796,734</u>	<u>\$ 662,334</u>

XXVIII. Pledged Assets

The Group provides the following assets as collateral for long-term borrowings from banks, tariffs on imported raw materials, and issuance of acceptance bills:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	\$686,070	\$803,918
Other financial assets (current and non-current)	<u>10,140</u>	<u>9,799</u>
	<u>\$696,210</u>	<u>\$813,717</u>

XXIX. Material Contingencies and Unrecognized Contractual Commitments

Except for those mentioned in other notes, the Group's major commitments on the balance sheet date are as follows:

As of December 31, 2022 and 2021, the unrecognized commitments in the contracts signed by the Group for the purchase of property, plant and equipment amounted to NT\$5,865 thousand and NT\$8,713 thousand, respectively.

XXX. Information on Foreign Currency Assets and Liabilities with Significant Effect

The information below is aggregated and presented in foreign currencies other than the functional currency of each entity of the Group. The exchange rates disclosed refer to the rates at which these foreign currencies are converted to the functional currency. The information on foreign currency assets and liabilities with significant effect is as follows:

	Foreign currency	Exchange rate:		Carrying amount
<u>December 31, 2022</u>				
Foreign currency asset				
Monetary item				
USD	\$ 14,790	30.71	(USD : NTD)	\$ 454,201
USD	2,123	6.9646	(USD : CNY)	65,197
Foreign currency liability				
Monetary item				
USD	84	30.71	(USD : NTD)	2,580
USD	5,331	6.9646	(USD : CNY)	163,715
<u>December 31, 2021</u>				
Foreign currency asset				
Monetary item				
USD	19,080	27.68	(USD : NTD)	528,134
USD	2,015	6.3757	(USD : CNY)	55,775
Foreign currency liability				
Monetary item				
USD	41	27.68	(USD : NTD)	1,135
USD	7,856	6.3757	(USD : CNY)	217,454

The Group mainly bears the exchange rate risk arising from USD. The information below is aggregated and presented in terms of the functional currencies of entities holding foreign currencies, and the disclosed exchange rates refer to the exchange rates, at which such functional currencies are translated to the presentation currency. Realized and unrealized foreign currency exchange gains and losses with significant effect are as follows:

Functional currency	Functional currency to presentation currency		Net exchange gain (loss)
2022			
NTD	1	(NTD : NTD)	\$63,681
CNY	4.4094	(CNY : NTD)	( 12,410)
			<u>(\$51,271)</u>

2021			
NTD	1	(NTD : NTD)	(\$24,623)
CNY	4.3415	(CNY : NTD)	<u>4,737</u>
			<u>(\$19,886)</u>

### XXXI. Additional Disclosures

(I) Information on material transactions and (II) information on investees:

1. Loans to others: Table 1.
2. Endorsements/Guarantees to others: Table 2.
3. Securities held at the end of the year: Table 3.
4. Securities acquired or sold at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual property at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual property at costs 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: None.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
9. Derivatives trading: None.
10. Information on investees: Table 4.
11. Other: Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Table 5.

(III) Information on investment in mainland China

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the year, repatriation of investment income or loss, and limit on the amount of investment in the mainland China area: Table 6.
2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses:

- (1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the year: Table 7.
  - (2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the year: Table 7.
  - (3) The amount of property transactions and the amount of the resulting gains or losses: None.
  - (4) The ending balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the year and the purposes: None.
  - (5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds: Table 1.
  - (6) 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 receiving of labor services: None.
- (IV) Information on major shareholders: The name of shareholders, each holding 5% or more of total shares, and the number and percentage of shares held: Table 8.

### XXXII. Segment Information

Based on the regular review of the business performance by the chief operating decision-maker to allocate resources and evaluate performance, the Group's reportable segments are as follows:

- . Tsang Yow Industrial Co., Ltd.
- . Wuxi Tsang Yow
- . Others

- (I) The segment revenue (except for the revenue from processing belonging to Tsang Yow Industrial Co., Ltd., the revenue is from the sales of auto parts and is recognized when the performance obligations are fulfilled at a certain point in time) and operating performance, and segment assets and liabilities are analyzed as follows:

	Tsang Yow	Wuxi Tsang Yow	Others	Adjustments and write-offs	Consolidation
2022					
Revenue from external clients	\$1,347,635	\$ 443,308	\$ -	\$ -	\$1,790,943
Inter-segment revenue	<u>1,337</u>	<u>2,713</u>	<u>124</u>	<u>(4,174)</u>	<u>-</u>
Segment revenue	<u>\$1,348,972</u>	<u>\$ 446,021</u>	<u>\$ 124</u>	<u>(\$ 4,174)</u>	<u>\$1,790,943</u>
Segment profit or loss	<u>\$ 184,408</u>	<u>(\$ 38,458)</u>	<u>(\$ 22)</u>	<u>\$ 7,679</u>	\$ 153,607
Interest income					3,962
Other income					46
Other gains and losses					54,873
Financial costs					<u>(13,037)</u>

Net income before tax					199,451
Income tax expense					<u>34,061</u>
Net income after tax					<u>\$ 165,390</u>

<u>December 31, 2022</u>					
Total segment assets	<u>\$2,784,047</u>	<u>\$ 671,376</u>	<u>\$ 176,448</u>	<u>(\$ 702,205)</u>	<u>\$2,923,951</u>
Total segment liabilities	<u>\$1,145,700</u>	<u>\$ 312,816</u>	<u>\$ 77,171</u>	<u>(\$ 244,368)</u>	<u>\$1,285,604</u>

<u>2021</u>					
Revenue from external clients	\$1,190,182	\$ 635,625	\$ -	\$ -	\$1,825,807
Inter-segment revenue	<u>5,716</u>	<u>5,602</u>	<u>116</u>	<u>( 11,434)</u>	<u>-</u>
Segment revenue	<u>\$1,195,898</u>	<u>\$ 641,227</u>	<u>\$ 116</u>	<u>(\$ 11,434)</u>	<u>\$1,825,807</u>

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	Tsang Yow	Wuxi Tsang Yow	Others	Adjustments and write-offs	Consolidation
Segment profit or loss	<u>\$ 58,179</u>	<u>(\$ 26,035)</u>	<u>(\$ 17)</u>	<u>\$ 764</u>	\$ 32,891
Interest income					1,941
Other income					23
Other gains and losses					10,390
Financial costs					<u>(10,385)</u>
Net income before tax					34,860
Income tax expense					<u>5,254</u>
Net income after tax					<u>\$ 29,606</u>
<u>December 31, 2021</u>					
Total segment assets	<u>\$3,019,987</u>	<u>\$ 775,096</u>	<u>\$ 156,798</u>	<u>(\$ 737,329)</u>	<u>\$3,214,552</u>
Total segment liabilities	<u>\$1,531,150</u>	<u>\$ 377,272</u>	<u>\$ 72,440</u>	<u>(\$ 255,147)</u>	<u>\$1,725,715</u>

(II) Revenue from major products

	<u>2022</u>	<u>2021</u>
Automatic transmission components for automobiles	\$1,332,898	\$1,415,928
Clutch Parts for Heavy-duty Trucks	166,591	134,696
Drivetrain Parts for Industrial Machinery	102,340	114,637
Automatic transmission components for air conditioner compressors	40,983	35,196
Automatic transmission components for ships	33,091	19,866
Processing	17,411	24,537
Others	<u>97,629</u>	<u>80,947</u>
	<u>\$1,790,943</u>	<u>\$1,825,807</u>

(III) Information by region

The Group's main operating sites are in Taiwan and mainland China, and the revenue is listed as follows depending on clients' locations:

	<u>Revenue from external clients</u>			
	<u>2022</u>		<u>2021</u>	
	Amount	As a % of net operating revenue	Amount	As a % of net operating revenue
The Americas	\$ 1,006,531	56	\$ 829,544	45
Asia	486,001	27	728,480	40
Others	<u>298,411</u>	<u>17</u>	<u>267,783</u>	<u>15</u>
	<u>\$ 1,790,943</u>	<u>100</u>	<u>\$ 1,825,807</u>	<u>100</u>

The locations of the Group's non-current assets are listed as follows:

	2022	2021
Non-current assets		
Taiwan	\$1,185,645	\$1,250,519
China	<u>191,661</u>	<u>231,901</u>
	<u>\$1,377,306</u>	<u>\$1,482,420</u>

Non-current assets exclude financial instruments and deferred tax assets.

(IV) Information on important clients

Each single client who accounts for at least 10% of the Group's net income is as follows:

	2022		2021	
	Amount	As a % of net operating revenue	Amount	As a % of net operating revenue
Client A .	\$266,093	15	\$263,668	14
Client A .	<u>82,852</u>	5	<u>202,491</u>	11
	<u>\$348,945</u>		<u>\$466,159</u>	

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries

Loans to others

For the Years Ended December 31, 2022

Table 1

Unit: NT\$/US\$ thousand  
(Unless otherwise specified)

No.	Lender	Borrower	Account title	Related party status	Highest balance of this year	Ending balance	Amount drawn (Note 3)	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for losses	Collateral		Limit on loan to each borrower (Note 2)	Total limit on loans to others (Note 2)
													Title	Value		
0	The Company	Giant	Other receivables related party	Yes	\$ 122,840 (USD 4,000)	\$ 122,840 (USD 4,000)	\$ 76,652 (USD 2,496)	-	Note 1	\$ -	To meet the need for short-term working capital	\$ -	-	\$ -	\$ 655,339	\$ 655,339
0	The Company	Wuxi Tsang Yow	Other receivables related party	Yes	214,970 (USD 7,000)	92,130 (USD 3,000)	30,710 (USD 1,000)	3.5~5	Note 1	-	To meet the need for short-term working capital	-	-	-	655,339	655,339
1	Giant	Wuxi Tsang Yow	Other receivables related party	Yes	39,923 (USD 1,300)	39,923 (USD 1,300)	39,923 (USD 1,300)	3.5~5	Note 1	-	To meet the need for short-term working capital	-	-	-	170,453 (USD 5,550)	170,453 (USD 5,550)
2	Business	Wuxi Tsang Yow	Other receivables related party	Yes	92,130 (USD 3,000)	92,130 (USD 3,000)	92,130 (USD 3,000)	3.5~5	Note 1	-	To meet the need for short-term working capital	-	-	-	183,216 (USD 5,966)	183,216 (USD 5,966)

Note 1: There is a need for short-term financing.

Note 2: 1. The Company

The total limit of loans to others shall be 40% of the Company's net shareholder's equity; the limit of loans to an affiliate shall not exceed 40% of the Company's net worth; the limit of loans to an enterprise shall not exceed 10% of the Company's net shareholders' equity.

2. Giant, Business, and AAI

The total limit of loans to others shall be 40% of its net shareholder's equity; the limit of loans to an affiliate shall not exceed 40% of its net worth; the limit of loans to an enterprise shall not exceed 10% of its net shareholders' equity.

Note 3: It has been written off when the consolidated financial statements were prepared.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Endorsements/Guarantees to others  
For the Years Ended December 31, 2022

Table 2

Unit: NT\$/US\$ thousand  
(Unless otherwise specified)

No.	Name of endorser/guarantor	Party endorsed/guaranteed		Limit of endorsements/guarantees to a single enterprise (Note)	Highest balance of endorsement/guarantee of this year	Ending balance of endorsements/guarantees	Amount drawn	Amount of endorsement/guarantee with property as collateral	Cumulative endorsements/guarantees provided as a % of the net worth as per the latest financial statements (%)	Maximum limit of endorsements/guarantees (Note)	Parent company to a subsidiary Maximum limit of	A subsidiary to parent company Maximum limit of	To an entity in China Maximum limit of
		Name of company											
0	The Company	Wuxi Tsang Yow	Subsidiaries	\$ 786,407	\$ 138,195 (US\$4,500 thousand)	\$ 92,130 (US\$3,000 thousand)	\$ -	\$ -	8	\$ 1,310,678	Y	N	Y

Note: As per the Operating Procedures for Endorsements and Guarantees, the amount of endorsement/guarantee provided to a single overseas enterprise shall not exceed 60% of the Company's total endorsement/guarantee provided, and the total endorsement/guarantee provided shall not exceed 80% of the Company's total shareholders' equity.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
 Securities held at the end of the year  
 December 31, 2022

Table 3

Unit: NT\$ thousand  
 (Unless otherwise specified)

Company	Type and name of securities	Relations with securities issuer	Account title	End of the year				Remark
				Number of shares	Carrying amount	Shareholding % (%)	plan assets	
The Company	Common stock Highwealth Construction Corp.	-	Financial assets at fair value through profit or loss – current	12,101	<u>\$443</u>	-	<u>\$443</u>	

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Information on investees  
For the Years Ended December 31, 2022

Table 4

Unit: NT\$ thousand  
(Unless otherwise specified)

Investor	Investee	Location	Principal business	Initial investment amount		Shareholding at the end of the year			Investee Profit (loss) for this year	Investment income (loss) recognized for this year	Remark
				End of this year	End of last year	Number of shares	%	Carrying amount			
The Company	Giant	Samoa	Reinvestment and interactional trading	\$ 449,023	\$ 449,023	13,795,000	100	\$ 422,736	(\$ 40,869)	(\$ 40,779)	Notes 1 and 2
	AAI	British Virgin Islands	Reinvestment and interactional trading	1,621	1,621	50,000	100	<u>31,690</u>	<u>393</u>	<u>393</u>	Note 2
								<u>\$ 454,426</u>	<u>(\$ 40,476)</u>	<u>(\$ 40,386)</u>	
Giant	Business	Samoa	Reinvestment and interactional trading	463,429	463,429	13,510,000	100	\$ 458,044	(\$ 44,112)	(\$ 44,112)	Note 2

Note 1: Unrealized gross losses have been eliminated.

Note 2: It has been written off when the consolidated financial statements were prepared.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
 Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts  
 For the Years Ended December 31, 2022

Table 5

Unit: NT\$ thousand  
 (Unless otherwise specified)

No.	Name of trader	Counterparty	Relations with trader	Transactions (Note 5)			As a % of total consolidated revenue or total assets
				Account title	Amount	Transaction conditions	
0	The Company	Wuxi Tsang Yow	Parent company to a subsidiary	Sales revenue	\$ 1,337	Note 2	-
			Parent company to a subsidiary	Other interests	198	Note 1	-
			Parent company to a subsidiary	Disposal of property, plant and equipment	7,042	Note 1	-
			Parent company to a subsidiary	Interest income	1,735	Note 4	-
			Parent company to a subsidiary	Other receivables	30,892	Note 3	1
			Parent company to a subsidiary	Other receivables	76,652	Note 3	3
1	Business	Wuxi Tsang Yow	A subsidiary to another subsidiary	Interest income	4,295	Note 4	-
			A subsidiary to another subsidiary	Other receivables	92,589	Note 3	3
2	Giant	Wuxi Tsang Yow	A subsidiary to another subsidiary	Interest income	1,861	Note 4	-
			A subsidiary to another subsidiary	Other receivables	40,122	Note 3	1
3	Wuxi Tsang Yow	The Company	A subsidiary to parent company	Sales revenue	2,047	Note 2	-
			A subsidiary to parent company	Other interests	529	Note 1	-
			A subsidiary to parent company	Accounts receivable	1,559	Note 2	-
			A subsidiary to parent company	Other receivables	296	Note 1	-

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Note 1: The income, etc. are determined by both parties through negotiation.

Note 2: The transaction prices for sales revenue and payment terms are not significantly different from those for general clients, and the payment term is about one to four months.

Note 3: It depends on the amount of working capital.

Note 4: Interest is accrued at an annual rate of interest of 3.5%–5%.

Note 5: It has been written off when the consolidated financial statements were prepared.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries  
Information on investment in mainland China  
For the Years Ended December 31, 2022

Table 6

Unit: NT\$/US\$ thousand  
(Unless otherwise specified)

Name of investee	Investee Principal business	Paid-in Capital	Investment method	Cumulative investment amount remitted from Taiwan at the beginning of this year	Amount of investment remitted or recovered during this year		End of the year remitted from Taiwan at the beginning of this year	Investee on investees for this year	The Company's shareholding in direct or indirect investment (%)	Investment income or loss recognized for this year (Note 3)	Book value of investments at the end of the year (Note 3)	Investment income remitted back as of the end of this year
					Outward remittance	Inward remittance						
Wuxi Tsang Yow	Research and development, design, and production of transmissions and accessories, hardware parts; sales of self-produced products, and provision of after-sales service	\$ 392,246 (USD 12,000)	Investment in the establishment of a company in a third region for investment in companies in China	\$ 293,538 (US\$ 9,043)	\$ -	\$ -	\$ 293,538 (USD 9,043)	(\$ 45,811)	100	(\$ 45,901)	\$ 358,560	\$ -

Investor	Cumulative amount of investment from Taiwan to China at the end of the year	Amount of investment approved by the Investment Commission, MOEA	Limit of investment by the Company in China as per the rules of the Investment Commission (Notes 1 and 2)
The Company	\$ 293,538 (USD 9,043)	\$ 444,804 (USD 14,484)	\$ 983,008

Note 1: The limit of Company's investment in China is as follows:

$$\$1,638,347 \times 60\% = \$983,008.$$

Note 2: As per the Principles for the Review of Investments or Technical Cooperation in the Mainland China stipulated by the Investment Commission dated August 29, 2008, if the paid-in capital is NT\$80 million or more, the limit is 60% of the net worth.

Note 3: It is recognized and disclosed based on the financial statements for the same period audited by the Company's independent accountants and has been written off when the consolidated financial statements were prepared.

Tsang Yow Industrial Co., Ltd. and Its Subsidiaries

Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses

For the Years Ended December 31, 2022

Table 7

Unit: NT\$ thousand  
(Unless otherwise specified)

Counterparty	Relations between the Company and counterparty	Type of transaction	Amount	Payment term	Situation and reason for transaction conditions different from general ones		Balance of notes and accounts		Unrealized profit (loss) (Note)
					Unit price	Comparison with general transactions	receivable (payable)	%	
Wuxi Tsang Yow	Subsidiaries	Sales	\$ 1,337	T/T 140 days	Same as general transaction conditions	Same as general transaction conditions	\$ -	-	(\$ 3,107)
		Purchases	2,047	T/T 60 days	Same as general transaction conditions	Same as general transaction conditions	( 1,559)	-	304

Note: It has been written off when the consolidated financial statements were prepared.

Tsang Yow Industrial Co., Ltd.  
Information on major shareholders  
December 31, 2022

Table 8

Name of Major Shareholders	Shares	
	Shareholding (shares)	Shareholding (%)
Linesoon Investment Co., Ltd.	19,955,314	19.35
Rich Pool Investment Co., Ltd.	7,961,779	7.72
Golden Top Investment Co., Ltd.	7,427,058	7.20

Note: The major shareholders in this table are shareholders holding at least 5% of the ordinary and preference shares (including treasury shares) with dematerialized registration and delivery completed on the last business day of the quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered with registration of dematerialized securities completed as a result of different bases of preparation.

Tsang Yow Industrial Co., Ltd.

Chairman: Su, Chi-Tse