

Stock Code: 1517

Lee Chi Enterprises Co., Ltd.

2022 Annual Report

Annual Report available at: <http://mops.twse.com.tw/>

Company website: <http://www.leechi.com.tw>

The date of publication: May 11, 2023

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

I. Spokesperson information:

Spokesperson name	Lee, Yu-Cheng
Position	Manager of Management Department
Telephone	04-7382121
E-mail	gmoe@leechi.com.tw
Acting spokesperson:	Tsai, Fang-Chu
Position	Deputy Director of Finance Department
Telephone	04-7382121
E-mail	fint@leechi.com.tw

II. Address and telephone of headquarters and factory:

Headquarters address: No. 112, Section 1, Shipai Road, Shipai Village, Changhua City
Tel: 04-7382121

Nangang factory address: No. 8, Gongye South 5th Road, Nangang Industrial Park, Nantou City, Nantou County
Tel: 049-2255950

III. Agency handling shares transfer:

Name of agency handling shares transfer:	Stock Affairs Department, Grand Fortune Securities Co., Ltd.
Address	6F, No. 6, Section 1, Zhongxiao West Road, Zhongzheng District, Taipei City
Telephone	02-2371-1658
Website	http://www.gfortune.com.tw/

IV. The certified public accountants who duly audited the annual financial report for the most recent fiscal year:

Name of the accounting firm	Deloitte & Touche, Taiwan
Name of certified public accountants	Liu, Li-Wei & Su, Ting-Chien
Address	22F, No. 88, Section 1, Huizhong Road, Xitun District, Taichung City
Telephone	04-3705-9988
Website	http://www.deloitte.com.tw

V. The name of any exchanges where the Company's securities are traded offshore, and the method of accessing the information: not applicable

VI. Company website: <http://www.leechi.com.tw>

Table of Contents

	Page
Chapter I. Letter to Shareholders	1
Chapter II. Company Profile.....	9
Chapter III. Corporate Governance Report.....	11
I. Organizational System	11
II. Information on the Company’s directors, supervisors, president, vice presidents, senior managers, and the supervisors of all the Company’s departments and branch units	13
III. Remuneration paid during the most recent fiscal year to directors (including independent directors), supervisors, the president, and vice presidents	22
IV. The state of the Company’s implementation of corporate governance	29
V. Information on certifying CPA Professional Fees	74
VI. Information on Replacement of CPAs	75
VII. The Company’s chairman, president, manager in charge of financial or accounting affairs who have been employed in the firm that the certifying CPAs work for or its affiliated enterprises in the most recent year	76
VIII. In the most recent year and as of the date of publication of the annual report, the status of the transfer of shares of directors, supervisors, managers and shareholders whose shareholding ratio exceeds 10% and changes in share pledge	76
IX. Relationship information, if among the Company’s 10 largest shareholders any one is a related party, a spouse, or a relative within the second degree of kinship of another	77
X. The total number of shares and total equity stake held in any single enterprise by the Company, its directors, supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company	78

Chapter IV.	Information on Capital Raising Activities.....	79
	I. The Company’s capital and shares.....	79
	II. Issuance of corporate bonds, preferred shares, global depository receipts, and employee stock warrants, new restricted employee shares, any merger and acquisition activities (including mergers, acquisitions, and demergers) and handling of shares transferred from other companies.	86
	III. Status of implementation of capital allocation plans	86
Chapter V.	Operational Overview	87
	I. Business activities	87
	II. Analysis of market and production and marketing situation	92
	III. Information of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report	98
	IV. Disbursements for environmental protection.....	98
	V. Labor relations	99
	VI. Cyber security management.....	101
	VII. Important contracts	103
Chapter VI.	Financial Overview	104
	I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years	104
	II. Financial analyses for the past 5 fiscal years	108
	III. Audit Committee’s report for the most recent year’s financial statement ..	113
	IV. Auditor’s Report and 2022 Financial Statements	114
	V. Statement on Consolidated Financial Statements Covering Affiliated Enterprises	172
	VI. Auditor’s Report and 2022 Consolidated Financial Statements.....	173

	VII. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report.....	237
Chapter VII.	Review and Analysis of the Company’s Financial Position and Financial Performance, and a Listing of Risks	238
	I. Comparative analysis of financial position.....	238
	II. Comparative analysis of financial performance	239
	III. Cash flow analysis	240
	IV. Effect upon financial operations of any major capital expenditures during the most recent fiscal year	241
	V. The Company’s reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improvement, and investment plans for the coming year	241
	VI. Risk analysis and assessment.....	241
	VII. Other important matters	244
Chapter VIII.	Special Items to be Included.....	245
	I. Information related to the affiliates.....	245
	II. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	251
	III. The Company’s shares held or disposed of by subsidiaries for the fiscal year up to the date of publication of the annual report	251
	IV. Any event which has a material impact on shareholders’ rights and interests or securities prices as listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.....	251
	V. Other necessary supplementary information	251

Chapter I. Letter to Shareholders

I. Forewords:

The bicycle industry has experienced a surge in demand for nearly 3 years since 2020 as a result of the rapid growth due to boom of purchases and limited availability under the pandemic, as well as the trends of carbon reduction and environmental protection. However, the year 2022 became the year of changes and challenges owing to the resolved supply chain bottleneck and the shift in consumer demand following the lift of lockdown, in conjunction with crisis composed of global inflation and geopolitical tension. The expansion to production capacity of supply chain took place in Q1 to satisfy the deficiency in supplies for orders; however, a plummet in the terminal demand appeared in the bicycle market in Q4, urging brand clients and distributors to take on a more conservative position with forecast. Meanwhile, the circumstances for the industry have changed from processing of orders at maximal capacity to idling due to delayed shipment or order cancellation from clients. The revenue and shipment declined and entered a short-term spiraling decrease.

Looking forward to 2023, the bicycle industry went from a bullish market benefitted by the pandemic-related concepts to a bearish state led by impacts of sales decline. With the increase in operating costs due to surge in inventory inhibiting liquidity of funds, inflation, and spiked-up interest rates, the industry is facing strong headwinds for operations. While reducing inventory, it is also necessary to perform proper risk control on account turnover and maintain a stable cash flow in order to be adaptive and flexible for future operations. The Company is convinced of the philosophy “challenges will bring about changes, and innovation will eventually bring about the leap”. In the face of headwinds in the business circumstances, the Company will continue to promote various improvements under the established management structure to sustain in the industry adjustment period in the recent quarters with an expectation to restore operations to the positive trend enabling stable growth. The Company is also convinced that ongoing innovations and daring changes may bring forth positive effects, creating long-term investment value for all shareholders.

II. Business Results in 2022:

(I) Operating Results:

The Company’s 2022 consolidated net operating revenue is NT\$5,084,564 thousand, consolidated net profit after tax is NT\$555,205 thousand, net profit attributable to the parent company is NT\$568,713 thousand, and the basic earnings per share is NT\$2.55.

In 2022, the Company adopted “stable order acceptances, maintaining growth, lean management, and continuous improvement” as the operating goals. To better align with changes to orders

in the market, the Company continued to conduct necessary investments, enhancing its overall competitiveness through strengthened product innovation and promotion of ESG sustainability to maintain operational resilience and to seize opportunities in the subsequent economic recovery. The conducts include the following orientations:

- 1. Regulations of Production Capacity:** In response to order changes, the Company frequented communication with clients on shipment status, made production capacity adjustments in a timely manner, continued reviews and improvement over production line equipment, materials, personnel and Company environment, and promoted measures inclusive of manufacturing process refinement, work hours review, replacement of equipment, staffing moderation, etc., all of which have achieved results. Furthermore, in line with this wave of inventory adjustments, various production responses have been performed to avoid the impact of circumstances.
- 2. Product Development:** The Company continuously reviewed the composition of the product line, developed and launched a number of new products, strengthened collaborative development with clients, and actively conducted correspondences for the introduction of new products. In 2022, a variety of new hydraulic disc brakes, handles, seat tubes, rim hubs and more have been launched and have been widely adopted by clients, with acclaims received. Furthermore, the Company continued its investment in the area of high-end products, which contributed to the growth of gross profit and market share of the Company's product portfolio.
- 3. Enhancement in Manufacturing process:** With the improvement of manufacturing process capability and products of local contents prioritized, the Company raised its investments in manufacturing process by purchasing high-precision processing machines, forging and casting production equipment, quality inspection equipment and other machines on a regular basis and continued introduction of various automation equipment and systems. The Company also collaborated with major clients in establishing multiple dedicated production lines and improvement of production technology to increase product yield.
- 4. Excellence in Management:** The Company proceeded with its verifications for various ISO management systems in conjunction with the introduction of ERP and HR management systems as means of its ongoing improvement over various operating procedures and strengthening of organizational communication and quality management. Moving towards the vision of ESG sustainability, the Company conducted various measures emphasizing friendliness to the environment, fulfillment of corporate social responsibilities and

strengthening of corporate governance including environmental protection and waste reduction, implementation of energy conservation and the use of renewable energy, carbon inventory, afforestation for reserves of carbon sinks and biodiversity. The Company also joined external organizations such as the Bicycling Alliance for Sustainability (BAS) to exert the industrial strength in the promotion of ESG.

5. Improvement in Operations: The Company continuously reviewed and monitored the operational efficiency of each business unit for strengthened competitiveness, and increased its investments in various kinds of equipment and improvement in ESH measures and factory planning to strengthen operational efficiency. Profitability and improvement effects have been noticeable in each business unit.

6. Cross-Industry Alliance: By utilizing in-house engineering and manufacturing capabilities, the Company has sealed cross-industry cooperation and orders. Through cross-industry alliances, the Company continues to improve technological development and increase operational prospects, thereby seeking the possibility of reciprocal development.

(II) 2022 Budget Execution Status:

The Company did not plan a financial forecast for 2022, and its expenditure budget is controlled at a level of 10%.

(III) Financial Position and Profitability Analysis:

The Company has a sound financial structure, and 2022 Profitability Analysis based on the Consolidated Financial Statements shows that return on assets is 10%, return on equity is 13.99%, ratio of operating income to paid-in capital is 26.49%, ratio of profit before tax to paid-in capital is 31.01 %, profit margin before tax is 10.91 %, and basic earnings per share attributable to the parent company is NT\$2.55.

(IV) Research and Development Status:

Completed the development of 51 new products, submitted 5 patent applications, and was awarded 3 (including 1 utility model patents in Taiwan, 2 invention patents in Taiwan ; note that one patent awarded by different countries is only calculated as one award); and awarded 5 trademark certification.

III.2023 Business Plan Outline:

(I) Sales Volume Forecast:

Item	Expected Sales
Braking system:	
Brakes	3,100 thousand Pieces
Levers	1,500 thousand Pieces
Cable	3,000 thousand Pieces
Seat Post	3,000 thousand Pieces
Stem	3,500 thousand Pieces
Hub	900 thousand Pieces
Spare parts such as brake, seat post, stem, etc.	47,000 thousand Pieces

Note: The above figures are the Company's individual data.

(II) Management Guidelines and Production and Sales Policies in 2023 are as follows:

1. **“Moderating Operations, and Controlling Risks”**: The high uncertainty of the macro-economy is expected to influence the industry throughout the year. The supply chain is in the order adjustment period with turmoil and is faced with pressure from changes resulting from sharp decline in operations coupled with high inventory, unused production capacity, and tight cash flow. In response to the challenges above, the Company will adjust production capacity in a timely manner, strengthen inventory control, control various procurement and costs, and continue to follow the trends of key accounts. With the solid adjustments in the trends impeding industry growth, the Company manages to maintain its competitive edges.
2. **“Setting Goals and Stabilizing Profits”**: The Company sets its annual business goals at a more proactive manner, by strengthening its business momentum and order acceptance, and reviewing processes to reduce internal costs and various expenses. Furthermore, in response to fluctuations in international raw material prices and exchange rates, the Company takes note of the market changes and performs risk avoidance and inventory management to capture profits and opportunities for economic recovery.

3. **“Product Innovation for Increased Margin”**: The Company will continue to innovate for its products and development processes, with the target to increase the proportion of high value-added products and to expand the market share of mid-to-high-end parts. Meanwhile, under the global trend of spending inhibition, the Company intends to stimulate sales by launching new products.
4. **“Brand Marketing for Enlarged Market Share”**: Through promoting the own brand “PROMAX”, the sales of new products is expected to be driven, thereby increasing the market share and product margin. The Company, eyeing the great business opportunities in mending and repair, also intends to establish more mending and repair and after-sale service locations under the brand by cooperating with major channels; in recent years, the Company has gained brand awareness through sponsorship of internationally renowned cycling teams, whilst collecting feedbacks from competitive riders concerning the use of our products as reference in subsequent product improvements and future development orientations.
5. **“Increased Cooperation and Excelling Technologies”**: The Company continues to deepen its cooperation and dependence relationship with internationally renowned finished bikes and parts brands by collaborating in the development of new products. In the meantime, the Company establishes dedicated production lines to increase the breadth and depth of developed items for comprehensive escalation of product technology.
6. **“Cross-Industry Collaborations and Proactive Transformation”**: In recent years, the Company has engaged in cross-industry collaborations to seek more development opportunities, whose results have been progressively evident. By undertaking cross-industry product orders, the Company may improve its manufacturing capabilities and in the meantime strengthen operation outlook for opportunities other than bicycle-related businesses.
7. **“Talent Cultivation and Advocating Sustainability”**: As a means to lay foundation to the Company’s sustainable development, the Company continues to cultivate talents and improve employee benefits through increasing the organizational efficiency and fostering future development momentum. In response to the global commitment to implement green initiatives such as carbon neutrality, net zero carbon emissions to combat greenhouse effect and extreme climate, the bicycle industry focuses on carbon reduction practices from production to sales, and has listed ESG as a key point. The Company at the forefront of industrial carbon reduction continues to promote compliance with energy-saving and carbon-reduction requirements in its corporate environment, promotes the implementation of low-carbon environmental protection in its R&D, manufacturing processes and sales, and

actively assists clients and supply chains to promote ESG sustainable goals.

IV.Future Development Strategies and Effects by Industrial Circumstances:

(I) Future Development Strategies of the Company:

1. **Concurrent development of own brand and OEM:** strengthen the innovation and R&D of bicycle products, meet consumer demand, provide cyclists with the best product experience and create product value, becoming an industry leading bicycle component supplier.
2. **Innovation of products and introductions of new materials and manufacturing processes on a sustained manner:** Besides continuing to implement the applications on bicycle components, pursue technological leadership, and extend the applications to related products such as electric cars, motor vehicles, 3C technologies, etc., to expand sales % on new business and new markets.
3. **Consolidate the Group's resources, create production advantages:** become a world-class professional manufacturing plant, make the most of local resources, continue to consolidate the supply chain, take active actions in meeting customer demand, and build a production environment that meets the needs of customers.
4. **Stable profitability, sustainable operation:** pursue profitability and stable growth for the Company, increase operational efficiency, establish core competitiveness such as talent cultivation and corporate culture; through uniting the organization, inject quality culture, and implement operational sustainability.

(II) Effects by external competitions, regulation and macroeconomic circumstances on the Company:

1. The complex issue composed of multiple factors including rise of war and geopolitical risks, trade wars, supply chain disruption and reorganization have caused a global crisis of inflation. All countries are facing the highest level of inflation in the past 30 years. Raised raw material price, deficiency of supply chains, reduction of labor force, etc., have substantially increased the production costs and therefore leading to operational risks. Manners to improve own management capabilities, quickly respond to various changes and diversify risks will be an important issue this year.
2. Under the impact of high tariffs under the trade barriers adopted by various countries and the evolution of deglobalization, the industry has also adapted itself to a short-chain supply system. Based on factors such as tariff avoidance or seeking proximity to the target sales markets, major brand clients have also successively diversified countries engaged in

manufacturing of products sold to US and European countries. Such initiative also affects the deployment of production of the bicycle industry chain, in which Mainland China was the hub. The future regional restructuring of the overall bicycle supply chain is worth observing.

3. The technological development trend of 5G, Internet of Things, AI and R&D of battery technology have boosted the rapid development of E-BIKE, making it the next big thing of the industry in the recent years. Nevertheless, under the circumstances which the economic outlook is impacted by global inflation, interest raise, war and more as well as the tendency of austerity shopping, observations on the potential stagnation in spending shall be made, as it may influence the clearance pace of bicycle inventory. Furthermore, it is also necessary to determine whether to launch new products based on observations. The Company may maintain a stable operation by driving the sales mid-to-high end models and E-Bikes and creating stable demands amid the decline in sales of other products.
4. In the trend of promoting zero-carbon emission goals and carbon neutrality under the global climate change, countries have gradually tweaked their energy mix by switching to low-carbon power generation equipment. However, with the rapid energy transformation, unstable supplies and inflation, wars and the corresponding fluctuation in oil and natural gas prices, shortage of resources such as power and fuel, which may be the new norm coupled with manufacturing bottlenecks such as labor shortages and rising raw material prices, the industry in need of stable production will inevitably be faced with more challenges in operations.
5. Countries have proceeded with their promotion of carbon inventory and have established legal bases for levying carbon fees. The collection of carbon border tariffs a.k.a. the “green inflation” will pose great impact on Taiwan’s manufacturing-based industries. The initial scope of application will expand from upstream products such as steel, aluminum, and cement to downstream products, making carbon reduction no longer an option for enterprises but a must for future competitiveness.

With the above internal and external changes and impacts, the Company strongly believes that challenges are definitely accompanied with opportunities. Through strong management and continuous advancement, we will grasp market demand to reflect our sales & operations. The Company is optimistic of its future development, and will continue to achieve great performance in return for the support of the shareholders. We earnestly request every shareholder to continue to support us, for the continued growth of the Company. Thank you!

We wish you all good fortune and great health.

Chairman: Lin, Yu-Hsin

President: Lin, Yu-Hsin

Accounting Manager: Lin, Yi-Hsien

Chapter II. Company Profile

I. Date of Incorporation: May 16, 1973

II. Company History

- 1973 Established in May 1973, the Company was formerly known as Lee Chi Enterprise Co., Ltd, and its main business was assembly of brakes.
- 1979 Set up processing and manufacturing plant for the manufacturing of stamping components and brake hose, as well as aluminum heat treatment.
- 1983 Renamed as “Lee Chi Enterprises Co., Ltd.”
- 1986 The research and development unit successfully implemented computer-aided design system, which improved development capability and reduced development time.
- 1990 Set up melting and forging plant for the manufacturing of handlebar riser and seat post to strive for product diversification, and brought in automated production equipment and robotic arm to increase productivity.
- 1991 In January, cash capital increase of NT\$199,000,000.
- 1992 In December, capital increase of NT\$201,490,000. Paid-up capital reached 400,490,000.
- 1993 Invested in the establishment of Nangang Branch; in addition to adding a derailleur cable production line to increase sales, the main purpose was to invest in brake pad and plastic injection production lines to reduce the need for purchase of components. In the same year, passed ISO 9001 certification, which shows that the Company’s effort in research and development was gradually paying off.
- 1995 In February, NT\$44,053,900 capital increase by retained earnings; in November, NT\$66,681,590 capital increase by retained earnings. Paid-up capital reached NT\$511,225,000. In November, officially listed on the stock exchange, setting a new milestone for the Company’s future growth.
- 1996 In September, NT\$153,368,000 capital increase by retained earnings. Invested in Lee Chi International, with a shareholding of 40%, accounted for using the equity method.
- 1997 In January, NT\$135,407,000 cash capital increase. In September, NT\$208,000,000 capital increase by retained earnings. Paid-up capital reached NT\$1,008,000,000.
- 1998 In February, NT\$92,000,000 cash capital increase; in September, NT\$423,500,000 capital increase, Paid-up capital reached NT\$1,523,500,000.
- Invested in Chief Venture Capital Corp. with an initial investment amount of NT\$80,000,000
- 1999 In August, NT\$578,930,000 capital increase. Paid-up capital reached NT\$2,102,430,000.
- 2000 In August, NT\$210,243,000 capital increase by retained earnings. Paid-up capital reached NT\$2,312,673,000.
- 2003 Invested in ASIA with 100% shareholding, accounted for using the equity method; invested in X-Nine International Ltd. (X-Nine) through ASIA; and then invested in Longda Machinery (Shenzhen) Co. Ltd. (Longda) in Mainland China through X-Nine.
- 2005 In September, NT\$55,567,070 capital increase by retained earnings, paid-up capital reached NT\$2,368,240,000.
- 2007 In October, retired 8,999,000 treasury shares with a capital reduction of NT\$89,990,000, and changed the registered capital; after the retirement, the paid-in capital was

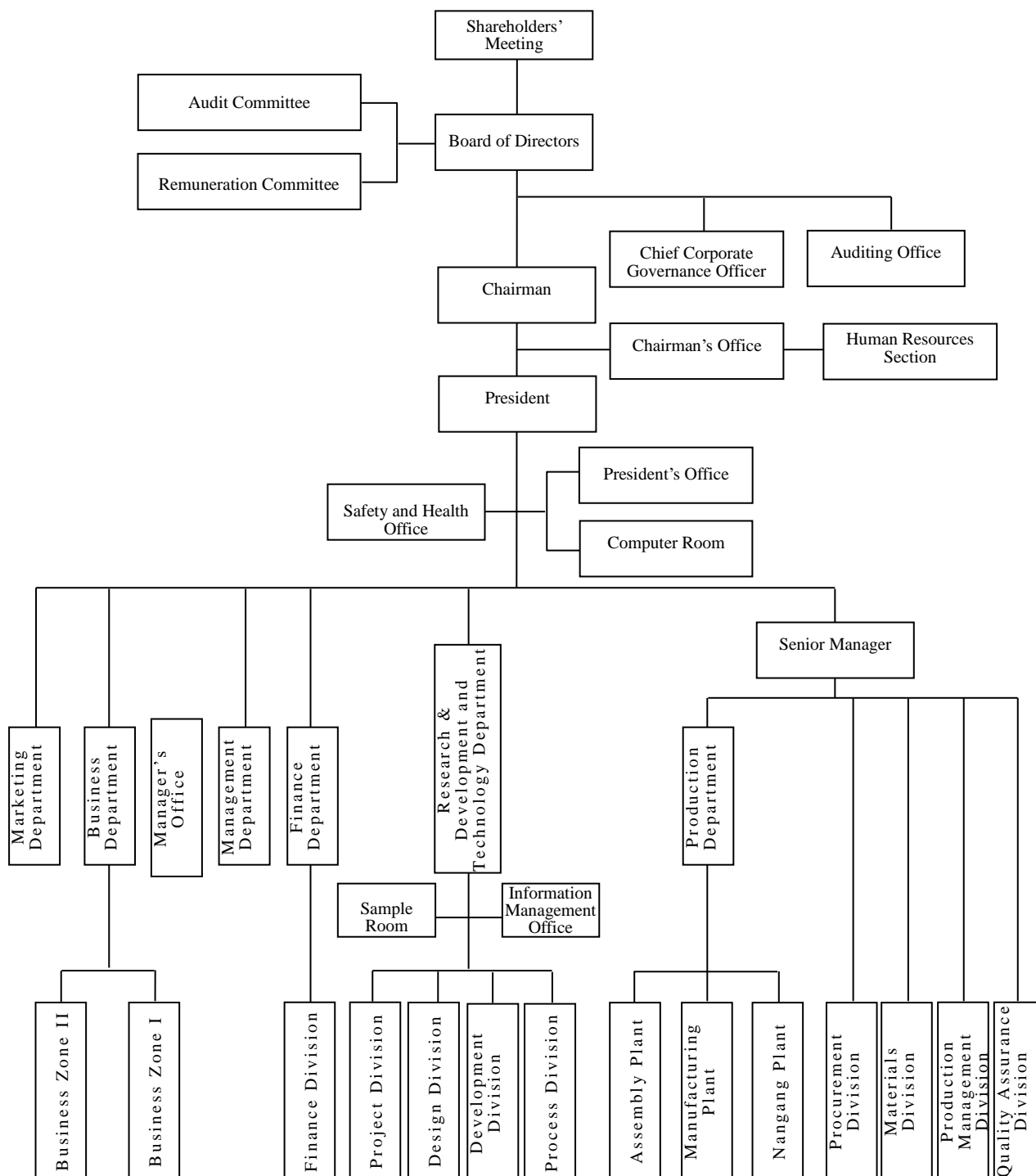
NT\$2,278,250,000.

- 2009 In October, purchased 3,750,000 shares of Lee Chi International, increased long-term equity investment accounted for using the equity method, and its shareholding was increased from 40% to 53%.
- 2010 In February, purchased 7,500,000 shares of Lee Chi International, increased long-term equity investment accounted for using the equity method, and its shareholding was increased from 53% to 78%.
- 2012 In January, invested US\$500,000 in US California by setting up THE Cycle Group with 100% shareholding, accounted for using the equity method. Engaged in the development, design and sale of high-end bicycle related products.
- 2012 In July, share capital increase of US\$500,000 in THE Cycle Group. Share capital of US\$1,000,000 after capital increase.
- 2013 In March, share capital increase of US\$1,000,000 in THE Cycle Group. Share capital of US\$2,000,000 after capital increase.
- 2013 In November and December, invested US\$1,750,000 and US\$1,250,000 respectively in ASIA, and concurrently invested US\$650,000 and US\$1,000,000 in X-Nine through ASIA.
- 2014 In July, capital increase of US\$1,000,000 in THE Cycle Group. Share capital of US\$3,000,000 after capital increase.
- 2015 In June, invested GBP162,000 in Cycle Origins Ltd of Hertfordshire, United Kingdoms, obtaining 60% shareholding. The main activities include wholesale and sale of bicycles and components.
- 2015 In August, purchased 6,607,000 shares of Lee Chi International at US\$11,299,000, increasing its shareholding from 78% to 100%.
- 2015 In December, capital reduction of US\$5,000,000 in Lee Chi International.
- 2016 In January, share capital increase of US\$1,000,000 in THE Cycle Group. Share capital of US\$4,000,000 after capital increase.
- 2017 On March 24, the Board of Directors passed a resolution to liquidate Longda Machinery (Shenzhen) Co., Ltd. in Mainland China.
- 2018 In August, the liquidation of Longda Machinery (Shenzhen) Co., Ltd. in Mainland China was completed.
- 2019 In May, conducted capital reduction in Lee Chi International, and returned US\$1,500,000 in share price.
- 2019 In October, the Board of Directors passed a resolution to liquidate ASIA and X-NINE.
- 2019 In December, the liquidation of X-NINE was completed.
- 2020 In January, the liquidation of ASIA was completed.
- 2020 In October, purchased 3,000,000 shares of Chief Venture Capital Corp. at NT\$27,886,000, increasing its shareholding from 40% to 55%.
- 2021 The liquidation of Cycle Origins Ltd. was completed
- 2022 In March, retired 2,140,000 treasury shares with a capital reduction of NT\$21,400,000, and changed the registered capital; after the retirement, the paid-in capital was NT\$2,256,850,000.

Chapter III. Corporate Governance Report

I. Organizational System

(I) Organizational Chart



(II) Departments' Functions

Departments		Functions
Chairman's Office		Assist the Chairman in promoting various projects, and leading the development of important strategic products and businesses.
President's Office		Assist the President in coordinating the various departments and systems, or planning, promoting and auditing of projects.
Auditing Office		Report to the Board of Directors, effectively audit the Company's various systems and submit to the various supervisors for improvement.
Computer Room		Manage and use computer equipment, assist and support the various units in using computers.
Safety and Health Office		Responsible for the planning, review and reporting of labor safety and health related matters.
Business Department		Handle product sales and explore market trends.
Marketing Department		Formulate and execute brand strategies and marketing strategies.
Finance Department		Handle all accounting and financial matters.
Management Department	General Affairs Section	Handle personnel, general affairs and asset management related matters.
	Legal Affairs Section	Responsible for the Company's legal affairs, patents and trademarks, and other related matters.
Research & Development and Technology Department		Handle new product development and improve the quality and function of existing products.
Production Management Division		Effectively control the Company's resources and data, so as to coordinate with the various units in meeting customer requirements and perform customer service.
Quality Assurance Division		Coordinate with the various departments in the execution of quality control measures, and supervise.
Materials Division		Responsible for the receiving and distribution of raw materials, and in line with the production operation, issue materials in real time automatically, and provide status of materials feed in the production line.
Procurement Division		In charge of raw materials procurement and subcontract processing, and provide low-cost raw materials at appropriate time in appropriate quantity and quality, improving performance and customer satisfaction.
Production Department	Manufacturing Plant	Die-casting, forging, heat treatment and CNC precision processing of bicycle, cars and scooters aluminum alloy components.
	Assembly Plant	Assembly production of bicycle components including braking, system seat post and tube, hub, handlebar, etc.
	Nangang Plant	Molding and processing of bicycle seat post and hub, processing of brake pad, derailleur cable and inner cable, and manufacturing and processing of carbon fiber products, bicycle rim, wheel set, etc.

II. Information on the Company's directors, supervisors, president, vice presidents, senior managers, and the supervisors of all the Company's departments and branch units

(I) Information on Directors

1. Director

April 23, 2023

Title	Nationality or place of registration	Name	Gender Age (Note 2)	Date Elected	Term of office	Date First Elected (Note 3)	Shareholding When Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding in Nominee		Major Experience (Education) (Note 4)	Other Position Concurrently Held at the Company or Other Companies	Managers, Supervisors or Directors Held by a Spouse, or First or Second Degree Relative			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Lin, Yu-Hsin	Male 31-40	2020.6.24	3	2014.6.19	12,798,760	5.62%	13,298,760	5.89%	0	0%	1,407,000	0.62%	Carnegie Mellon University Electrical and computer engineering Master in electronic engineering	President of the Company	Vice President and Director of Finance Department Director	Lin, Yi-Hsien Lin, Chung-Ying	Sister and brother Sister and brother	(Note 5)
Director	R.O.C.	Lin, Yi-Hsien	Female 41-50	2020.6.24	3	2002.06.26	9,190,036	4.03%	9,190,036	4.03%	0	0%	0	0%	Department of Accounting, National Taiwan University	Vice President and Director of the Finance Department of the Company	Director Chairman	Lin, Chung-Ying Lin, Yu-Hsin	Sisters Sister and brother	None
Director (Note 1)	R.O.C.	Ko Fu Investment Co., Ltd.	Female 41-50	2020.6.24	3	2014.6.19	1,407,000	0.62%	1,407,000	0.62%	0	0%	0	0%	Department of Mathematics, National Central University	Director of the Company	Vice President and Director of Finance Department Chairman	Lin, Yi-Hsien Lin, Yu-Hsin	Sisters Sister and brother	None
		Representative: Lin, Chung-Ying					-	-	9,009,127	3.99%	0	0%	0	0%						
Director (Note 1)	R.O.C.	Ko Fu Investment Co., Ltd.	Male 61-70	2020.6.24	3	2014.6.19	1,407,000	0.62%	1,407,000	0.62%	0	0%	0	0%	Department of Industrial Engineering, Feng Chia University	Senior Manager of the Company	None	None	None	None
		Representative: Chu, Ming-Yang					-	-	0	0%	0	0%	0	0%						
Independent Director	R.O.C.	Chen, Kuei-Tuan	Male 71-75	2020.6.24	3	2017.6.12	0	0%	0	0%	0	0%	0	0%	1. Professor, Head of the Accounting Department and Director of the Graduate Institute of Accounting and Taxation at Feng Chia University	1. Certified Public Accountant at EnWise CPAs & Co.. 2. Independent Director of CHC Healthcare Group 3. Independent Director of Chumpower Machinery Corporation.	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age (Note 2)	Date Elected	Term of office	Date First Elected (Note 3)	Shareholding When Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding in Nominee		Major Experience (Education) (Note 4)	Other Position Concurrently Held at the Company or Other Companies	Managers, Supervisors or Directors Held by a Spouse, or First or Second Degree Relative			Remark (Note 5)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	Chen, Kuei-Tuan	Male 71-75	2020.6.24	3	2017.6.12	0	0%	0	0%	0	0%	0	0%	2.Legislative assistant in the Budget Group of the Legislative Consultation Center of the Legislative Yuan - passed the Class A government functionary examination as an accounting auditor 3.Adjunct Professor in the Graduate Institutes of Accounting of National Chung Hsing University, Tunghai University and Providence University	4.Director of Swancor International Investment Holdings Co., Ltd. 5.Independent Director and Remuneration Committee Member of Lee Chi Enterprises Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Chen, Yung-Hsueh	Female 61-70	2020.6.24	3	2017.6.12	40,462	0.02%	40,462	0.02%	100,000	0.04%	0	0%	Senior Manager of Asian Banks, Vice President of DBS Bank	Independent Director and Remuneration Committee Member of Lee Chi Enterprises Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Ma, Hui-Chen	Female 41-50	2020.6.24	3	2017.6.12	0	0%	0	0%	0	0%	0	0%	1.KPMG Audit Assistant Manager 2.Assistant Manager of COTA Commercial Bank 3.Director and Supervisor of Shih-Kuen Plastic Co., Ltd. 4.Director of Jie-Ya Co., Ltd.	1.Chief Operating Officer of Eternal On CPAs 2.Independent Director and Remuneration Committee Member of Lee Chi Enterprises Co., Ltd.	None	None	None	None

Note 1: For legal person shareholders, the names of legal person shareholders and their representatives should be listed separately (if they are representatives of legal person shareholders, the names of legal person shareholders should be indicated), and the following Table 1 should be filled in.

Note 2: Please list the actual age. The actual age can be presented in intervals.

Note 3: Fill in the date when first elected as a director or supervisor of the company. If there is an interruption between terms, it should be annotated.

Note 4: Experience relevant to the current position. If the director worked in the certifying CPA firm appointed by the company or an affiliated company during the aforementioned period, the title and position held shall be stated

Note 5: Where the chairperson of the board of directors and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent directors while having no more than half of the directors serve concurrently as employees or managers).

Explanation: The chairman of the Company concurrently serves as the president in order to improve operating efficiency and decision-making execution ability. In face of the competitive environment of the bicycle industry and the challenges and pressures of competitors, the chairman concurrently serving as the president facilitates the communication and coordination within the board to make decision-making execution smoother and improve operating efficiency and operating performance. The chairman also closely communicates with the directors about the current status of operations, plans, and policies to implement corporate governance. The current specific measures are as follows:

(1) The Company has three independent directors, two having the qualification of Certified Public Accountant of R.O.C., and one having legal expertise, who can effectively perform their supervisory functions.

Independent directors can fully discuss and make suggestions in various functional committees to implement corporate governance.

(2) More than half of the board members are not employees or managers concurrently.

(3) Each director is arranged to participate in professional director and supervisor courses of external institutions every year to enhance the functions of the Board of Directors and strengthen the supervisory function.

Note 6: The Company has set up an audit committee since June 12, 2017, so information on supervisors is not applicable.

Principal Shareholders of Institutional Shareholders

April 23, 2023

Name of Corporate Shareholders (Note 1)	Principal Shareholders of Institutional Shareholders
Ko Fu Investment Co., Ltd.	Lin, Yu-Hsin (99.9%); Lin Yu-Sheng (0.1%)

Note 1: As shown in Table 1 above, if the main shareholder is a legal person, the name of the legal person should be filled in.

Note 2: The name of the main shareholder of the legal person (its shareholding ratio accounts for the top ten) and its shareholding ratio should be filled in.

Information on directors and independent directors

1. Professional Qualification of Directors and Independence of Independent Directors

Requirements Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of other public companies in which the person holds a concurrent position as an independent director
Chairman Lin, Yu-Hsin	1. Expertise: Business management, leadership and decision-making, and information technology 2. Education: Master in electronic engineering, Carnegie Mellon University Electrical and computer engineering 3. Main position held: President of the Company 4. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.	Not applicable	0
Director Lin, Yi-Hsien	1. Expertise: Business management, finance and accounting, and tax planning 2. Education: Department of Accounting, National Taiwan University 3. Main position held: Vice President and Chief Corporate Governance Officer of the Company 4. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.	Not applicable	0
Director Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying	1. Expertise: Business management, marketing communications, risk management and information technology 2. Education: Department of Mathematics, National Central University 3. Major experience: Deputy Director of the Procurement Division and Consultant of the Company 4. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.	Not applicable	0
Director Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang	1. Expertise: Operating judgments, innovative strategies, communication and coordination, and mechanical engineering 2. Education: Department of Industrial Engineering, Feng Chia University 3. Main position held: Senior Manager of the Company 4. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.	Not applicable	0

Requirements Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of other public companies in which the person holds a concurrent position as an independent director
Independent Director Chen, Kuei-Tuan	<p>1. Expertise: Education, economics, finance and law</p> <p>2. Education: PhD in Economic Law, China University of Political Science and Law, Master of Public Finance, National Chengchi University</p> <p>3. Other main position held and experience:</p> <p>(1) Professor, Head of the Accounting Department and Director of the Graduate Institute of Accounting and Taxation at Feng Chia University</p> <p>(2) Legislative assistant in the Budget Group of the Legislative Consultation Center of the Legislative Yuan - passed the Class A government functionary examination as an accounting auditor</p> <p>(3) Adjunct Professor in the Graduate Institutes of Accounting of National Chung Hsing University, Tunghai University and Providence University</p> <p>4. Position currently held:</p> <p>(1) Certified Public Accountant at EnWise CPAs & Co.</p> <p>(2) Independent Director of CHC Healthcare Group</p> <p>(3) Independent Director of Chumpower Machinery Corporation</p> <p>(4) Director of Swancor International Investment Holdings Co., Ltd.</p> <p>(5) Independent Director, Member of the Remuneration Committee and the Audit Committee of Lee Chi Enterprises Co., Ltd.</p> <p>5. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.</p>	<p>1. Mr. Chen, his spouse or relative within the second degree of kinship are not a director, a supervisor or an employee of the company or any of its affiliates.</p> <p>2. Mr. Chen, his spouse or relative within the second degree of kinship (or held by Mr. Chen under others' names) do not hold shares of the Company.</p> <p>3. Mr. Chen has not been the director, supervisor or employee of specific related companies (refer to Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. No compensation was paid to Mr. Chen for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.</p>	2

Requirements Name	Professional Qualification and Experience (Note 1)	Independence (Note 2)	Number of other public companies in which the person holds a concurrent position as an independent director
Independent Director Chen, Yung-Hsueh	<p>1. Expertise: Financial industry, economics and law</p> <p>2. Education: Department of Law, National Taiwan University</p> <p>3. Other main position held and experience: Senior Manager of Asian Banks, Vice President of DBS Bank</p> <p>4. Position currently held: Independent Director, Member of the Remuneration Committee and the Audit Committee of Lee Chi Enterprises Co., Ltd.</p> <p>5. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.</p>	<p>1. Ms. Chen, her spouse or relative within the second degree of kinship are not a director, a supervisor or an employee of the company or any of its affiliates.</p> <p>2. Ms. Chen, her spouse or relative within the second degree of kinship (or held by Mr. Chen under others' names) hold 140,462 shares, which is 0.06% of the Company's shares.</p> <p>3. Ms. Chen has not been the director, supervisor or employee of specific related companies (refer to Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. No compensation was paid to Ms. Chen for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.</p>	0
Independent Director Ma, Hui-Chen	<p>1. Expertise: Finance and accounting, tax planning and financial business</p> <p>2. Education: Department of Accounting, National Taiwan University</p> <p>3. Other main position held and experience:</p> <p>(1) KPMG Audit Assistant Manager</p> <p>(2) Assistant Manager of COTA Commercial Bank</p> <p>(3) Director and Supervisor of Shih-Kuen Plastic Co., Ltd.</p> <p>(4) Director of Jie-Ya Co., Ltd.</p> <p>4. Position currently held:</p> <p>(1) Chief Operating Officer of Eternal On CPAs</p> <p>(2) Independent Director, Member of the Remuneration Committee and the Audit Committee of Lee Chi Enterprises Co., Ltd.</p> <p>5. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.</p>	<p>1. Ms. Ma, her spouse or relative within the second degree of kinship are not a director, a supervisor or an employee of the company or any of its affiliates.</p> <p>2. Ms. Ma, her spouse or relative within the second degree of kinship (or held by Ms. Ma under others' names) do not hold shares of the Company.</p> <p>3. Ms. Ma has not been the director, supervisor or employee of specific related companies (refer to Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies).</p> <p>4. No compensation was paid to Ms. Ma for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.</p>	0

2. Diversity policy and Independence of the Company's Board

(1) Diversity policy of the Company's Board: In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company regulates the composition of the Board of Directors and formulates a policy of diversification, fully considering various aspects of diversification such as operational management, leadership and decision-making, industry knowledge, finance and accounting, legal, and environmental protection.

Relevant implementation status of the Company's diversity policy is as follows:

Core Diversification Items Name	Basic Composition						Industrial Experience				Professional Competence			
	Gender	Concurrently Serves as an Employee of the Company	Age			Length of Term of Independent Directors 3-6 Years	Operational Management	Industry Knowledge	Operational Judgment	International Outlook	Finance and Accounting	Legal	Information Technology	Environmental Protection
			31-50	51-70	71 or above									
Lin, Yu-Hsin	Male	✓	✓				✓	✓	✓	✓	✓	✓	✓	
Lin, Yi-Hsien	Female	✓	✓				✓	✓	✓	✓		✓		
Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying	Female		✓				✓	✓	✓	✓		✓	✓	
Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang	Male	✓		✓			✓	✓	✓				✓	
Chen, Kuei-Tuan (Independent Director)	Male				✓	✓	✓	✓	✓	✓	✓	✓		
Chen, Yung-Hsueh (Independent Director)	Female			✓		✓	✓	✓			✓			
Ma, Hui-Chen (Independent Director)	Female		✓			✓	✓	✓	✓	✓		✓		

※The nationalities of the above directors are all of the Republic of China.

(2) Independence of the Company’s Board: The election of directors of the company adopts the “candidate nomination system”. The candidates for director are nominated and examined for eligibility by the Board of Directors. Upon resolution by the Board of Directors, the candidates are submitted to the shareholders’ meeting for election.

A. Basic Composition:

The Company currently has 7 board members (including 3 independent directors), all of which are from the Republic of China. The composition of the board is 3 independent directors accounting for 43%, and 3 directors with concurrent employee status account for 43%. Three of the board members have the qualification of Certified Public Accountant of the R.O.C., and one of the independent directors has legal expertise. The board members have rich experience, professional knowledge and skills in the fields of finance, law, business and management, and are independent.

All independent directors have served no more than 3 consecutive terms.

The age distribution of directors includes 4 directors aged 31-50, 2 directors aged 51-70 and 1 director aged over 71.

B. The Company also pays attention to gender equality in the composition of the Board of Directors, with a target ratio of 50%. The current board members include 4 female directors (2 of which are independent directors), and the ratio of female directors is as high as 57%. In the future, the Company will continue to work towards the goal of gender equality in the composition of female directors.

Note 1: Professional Qualification and Experience: Specify the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, their accounting or financial background and work experience shall be specified. In addition, indicate whether there were no circumstances described in subparagraphs under Article 30 of the Company Act.

Note 2: The independence of independent directors shall be specified, including but not limited to whether they, their spouses, or relatives within the second degree of kinship act as directors, supervisors or employees of the company or any of its affiliates; the number and proportion of the company’s shares held by them, their spouses or relatives within the second degree of kinship (or held by them under others’ names); whether they have acted as directors, supervisors or employees of specific related companies (refer to Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of compensation paid to them for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.

(II) Information on President, Vice Presidents, Senior Managers, and Supervisors of All the Company's Divisions and Branch Units

April 23, 2023

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouse & Minor Shareholding		Shareholding in Nominee		Major Experience (Education)	Other position concurrently held at the other companies	Managers Held by a Spouse, or First or Second Degree Relative			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	R.O.C.	Lin, Yu-Hsin	Male	2011.7.13	13,298,760	5.89%	0	0	1,407,000	0.62%	Carnegie Mellon University Electrical and computer engineering Master in electronic engineering	N/A	Vice President	Lin, Yi-Hsien	Sister and brother	Note 1
Vice President	R.O.C.	Lin, Yi-Hsien	Female	2004.10.01	9,190,036	4.03%	0	0	0	0	National Taiwan University Department of Accounting	N/A	President	Lin, Yu-Hsin	Sister and brother	N/A
Senior Manager	R.O.C.	Chu, Ming-Yang	Male	2001.01.03	0	0	0	0	0	0	Feng Chia University Department of Industrial Engineering	N/A	N/A	N/A	N/A	N/A

Note 1: The chairman of the Company concurrently serves as the president, in order to improve the operating efficiency and decision-making execution ability. In face of the competitive environment of the bicycle industry and the challenges and pressures of competitors, the chairman concurrently serving as the president facilitates the communication and coordination within the board to make the decision-making execution smoother and improve the operating efficiency and operating performance. The chairman also closely communicates with the directors about the current status of operations, plans, and policies to implement corporate governance. The current specific measures are as follows:

- (1) There are three independent directors of the company, two are qualified as certified public accountants of the Republic of China, and one has expertise in legal affairs. They can effectively perform their supervisory functions.
Independent directors can fully discuss and make suggestions in various functional committees to implement corporate governance.
- (2) More than half of the directors of the Board of Directors do not concurrently serve as employees or managers.
- (3) Every year, all directors are arranged to participate in professional director and supervisor courses of external institutions to enhance the functions of the Board of Directors and strengthen the supervisory function.

III. Remuneration paid during the most recent fiscal year to directors (including independent directors), supervisors, the president, and vice presidents

(I) Remuneration of directors, supervisors, the president and vice presidents (individual disclosure of names and remuneration methods)

1. Remuneration of general directors and independent directors

Unit: NT\$ 1,000

Title	Name	Remuneration								Total amount and ratio of total compensation (A+B+C+D) to net income (%) (Note 10)		Relevant Compensation Received by Directors who are Also Employees								Total amount and ratio of total compensation (A+B+C+D+E+F+G) to net income (%) (Note 10)		Compensation from the Group's Invested Companies Other than the Group's Subsidiaries(Note 11)				
		Base Compensation (A) (Note 2)		Severance pay and pension (B)		Directors' remuneration(C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Employee Compensation (G) (Note 6)										
		The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	The Company	All Companies in the Consolidated Financial Statements (Note 7)	Cash	Stock	Cash	Stock	The Company	All Companies in the Consolidated Financial Statements (Note 7)					
Director	Lin, Yu-Hsin	0	0	0	0	1,399	1,399	15	15	1,414	1,414	0.249%	0.249%	3,052	3,052	0	0	300	0	300	0	4,766	4,766	0.838%	0.838%	None
Director	Lin, Yi-Hsien	0	0	0	0	960	960	15	15	975	975	0.171%	0.171%	2,234	2,234	52	52	300	0	300	0	3,561	3,561	0.626%	0.626%	None
Director	Ko Fu Investment Co., Ltd. Representative: Lin, Chung-Ying	0	0	0	0	480	480	15	15	495	495	0.087%	0.087%	0	0	0	0	0	0	0	0	495	495	0.087%	0.087%	None
Director	Ko Fu Investment Co., Ltd. Representative: Chu, Ming-Yang	0	0	0	0	480	480	15	15	495	495	0.087%	0.087%	1,546	1,546	79	79	500	0	500	0	2,620	2,620	0.461%	0.461%	None
Independent Director	Chen, Kuei-Tuan	360	360	0	0	0	0	15	15	375	375	0.066%	0.066%	0	0	0	0	0	0	0	0	375	375	0.066%	0.066%	None
Independent Director	Chen, Yung-Hsueh	360	360	0	0	0	0	15	15	375	375	0.066%	0.066%	0	0	0	0	0	0	0	0	375	375	0.066%	0.066%	None
Independent Director	Ma, Hui-Chen	360	360	0	0	0	0	15	15	375	375	0.066%	0.066%	0	0	0	0	0	0	0	0	375	375	0.066%	0.066%	None

1. Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors:

- (1) According to the Articles of Association of the Company, the Board of Directors is authorized to determine the remunerations for all directors based on the degree of their participation in and contribution to the operations of the Company, and referred at a rate not exceeding the general practices in the industry. The Board of Directors may claim transportation expenses based on actual expenditure. If the Company is profitable, no more than 2% shall be allocated as remuneration for directors.
- (2) The independent directors of the Company all serve as members of the Audit Committee and the Remuneration Committee, participate in the discussions and resolutions of relevant committee meetings, and the performances are evaluated by the Board of Directors (including Board of Directors, board members, and functional committees) every year.
- (3) The remuneration for independent directors means the remuneration paid (A) as monthly salary to independent directors and remuneration committee members; business execution expenses (D) for travel expenses actually received.

2. Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services to all companies in the financial statement (e.g., serving as a non-employee consultant, etc.) in the most recent year: None

Table of Remuneration Range

Range of Remuneration paid to Directors	Names of Directors			
	Total of (A+B+C+D)		The total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	All companies in the consolidated financial statements (Note 9) I
Under NT\$1,000,000	Lin, Yi-Hsien Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying, Chu, Ming-Yang Independent Director Chen, Kuei-Tuan, Chen, Yung-Hsueh, Ma, Hui-Chen	Lin, Yi-Hsien Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying, Chu, Ming-Yang Independent Director Chen, Kuei-Tuan, Chen, Yung-Hsueh, Ma, Hui-Chen	Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying, Independent Director Chen, Kuei-Tuan, Chen, Yung-Hsueh, Ma, Hui-Chen	Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying, Independent Director Chen, Kuei-Tuan, Chen, Yung-Hsueh, Ma, Hui-Chen
NT\$1,000,000 – NT\$2,000,000	Lin, Yu-Hsin	Lin, Yu-Hsin	—	—
NT\$2,000,000 – NT\$3,499,999	—	—	Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang	Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang
NT\$3,500,000 – NT\$4,999,999	—	—	Lin, Yu-Hsin, Lin, Yi-Hsien	Lin, Yu-Hsin, Lin, Yi-Hsien
NT\$5,000,000 – NT\$9,999,999	—	—	—	—
NT\$10,000,000 – NT\$14,999,999	—	—	—	—
NT\$15,000,000 – NT\$29,999,999	—	—	—	—
NT\$30,000,000 – NT\$49,999,999	—	—	—	—
NT\$50,000,000 – NT\$99,999,999	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	7	7	7	7

Note 1: The names of directors should be listed separately (the names of legal person shareholders and representatives should be listed separately), general directors and independent directors should be listed separately, and the payment amounts should be disclosed in a summary manner. If a director is also the president or vice president, please fill in this Table and the following Table (3-1), or the following Tables (3-2-1) and (3-2-2).

Note 2: Refers to the remuneration of directors in the most recent year (including directors' salaries, duty bonuses, severance pay, various bonuses, incentives, etc.).

Note 3: Refers to the amount of directors' remuneration approved by the Board of Directors in the most recent year.

Note 4: Refers to the director's relevant business execution expenses in the most recent year (including travel expenses, extraordinary charges, various allowances, dormitories, car allocation, cash offer etc.). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

- Note 5: Refers to the remuneration received by the director, who is also an employee (including the president, vice president, other manager and employee) in the most recent year, including salary, duty bonus, severance pay, bonuses, incentive fees, travel expenses, special expenses, allowances, accommodation, company car paid or offered or other cash offer. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.
- Note 6: Refers to the employee remuneration (including stocks and cash) received by a director, who is also an employee (including the president, vice president, other manager, and employee) in the most recent year, and the amount of employee remuneration approved by the Board of Directors in the most recent year shall be disclosed. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year, and the attached Table 1-3 shall be filled in.
- Note 7: Total remuneration paid to the Company's directors by all companies (including the Company) listed in the consolidated financial statements shall be disclosed.
- Note 8: The name of the director to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.
- Note 9: The name of the director to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements shall be disclosed in the corresponding remuneration range.
- Note 10: Net income after tax refers to that in the latest parent-only or individual financial statements.
- Note 11: a. Remuneration received by the director of the Company from invested companies other than subsidiaries or parent company shall be specified (If no, please fill in with "None").
- b. If the director of the Company receives remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the director of the Company from invested companies other than subsidiaries or parent company shall be included in Column I in the Remuneration Range Table, and the column heading shall be changed to "Parent Company and All Invested Companies".
- c. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the directors of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.
- * The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

2. Remuneration to the President and Vice Presidents

Unit: NT\$ Thousand

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and special expenses, etc. (C) (Note 3)		Employee Compensation (D) (Note 4)				Total amount and ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation paid to the president and vice presidents from an invested company other than the Company's subsidiaries or parent company (Note 9)
		The Company	All Companies in the Consolidated Financial Statements (Note 5)	The Company	All Companies in the Consolidated Financial Statements (Note 5)	The Company	All Companies in the Consolidated Financial Statements (Note 5)	The Company		All Companies in the Consolidated Financial Statements (Note 5)		The Company	All Companies in the Consolidated Financial Statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	Lin, Yu-Hsin	2,497	2,497	0	0	556	556	300	0	300	0	3,353 0.590%	3,353 0.590%	None
Vice President	Lin, Yi-Hsien	1,754	1,754	52	52	442	442	300	0	300	0	2,548 0.448%	2,548 0.448%	None

Table of Remuneration Range

Range of Remuneration paid to President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All Companies in the Consolidated Financial Statements (Note 7) E
Under NT\$1,000,000	—	—
NT\$1,000,000 – NT\$2,000,000	—	—
NT\$2,000,000 – NT\$3,499,999	Lin, Yu-Hsin, Lin, Yi-Hsien	Lin, Yu-Hsin, Lin, Yi-Hsien
NT\$3,500,000 – NT\$4,999,999	—	—
NT\$5,000,000 – NT\$9,999,999	—	—
NT\$10,000,000 – NT\$14,999,999	—	—
NT\$15,000,000 – NT\$29,999,999	—	—
NT\$30,000,000 – NT\$49,999,999	—	—
NT\$50,000,000 – NT\$99,999,999	—	—
Over NT\$100,000,000	—	—
Total	2	2

*Regardless of title, all positions equivalent to president or vice president should be disclosed.

Note 1: The names of the president and vice presidents should be listed separately, and the payment amounts should be disclosed in a summary manner. If a director is also the president or vice president, please fill in this table and the above Tables (1-1) or (1-2-1) and (1-2-2).

Note 2: Salary, job allowance, and severance pay paid to the president and vice presidents in the most recent fiscal year.

Note 3: Bonuses, incentive fees, travel expenses, special expenses, allowances, accommodation, and company car paid or offered to the president and vice presidents in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. Any salary listed under IFRS 2 Share-Based Payment, including employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 4: Fill in with the employee remuneration (including stocks and cash) received by a director as the president and vice president assigned by the Board of Directors in the most recent year. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year, and the attached Table 1-3 shall be filled in. Net income refers to that for the most recent fiscal year; if the IFRS are adopted, net income refers to that in the latest parent-only or individual financial statements.

Note 5: Total remuneration paid to the Company's president and vice presidents by all companies (including the Company) listed in the consolidated financial statements shall be disclosed.

Note 6: The name of the president or vice presidents to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.

Note 7: The name of the president or vice presidents to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements shall be disclosed in the corresponding remuneration range.

Note 8: Net income refers to that for the most recent fiscal year; where the IFRS Standards are adopted, net income refers to that in the latest parent-only or individual financial statements.

Note 9: a. Remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be specified (If no, please fill in with "None").
b. If the president and vice presidents of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "All Invested Companies."
c. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the president and vice presidents of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.

* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation

(II) Recipients and Status of Employee Compensation Paid to Managers

December 31, 2022

	Position (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of Total Compensations to the Net Profit After Tax (%)
Manager	President	Lin, Yu-Hsin	0	NT\$1,100 thousand	NT\$1,100 thousand	0.193
	Vice President	Lin, Yi-Hsien				
	Senior Manager	Chu, Ming-Yang				

Note 1: Individual names and titles should be disclosed, but the profit distribution can be disclosed in a summary manner.

Note 2: Fill in with the employee remuneration (including stocks and cash) received by a managerial officer assigned by the Board of Directors in the most recent year. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year. Net income refers to that for the most recent fiscal year; where the IFRS Standards are adopted, net income refers to that in the latest parent-only or individual financial statements.

Note 3: The scope of application for managerial officer is stipulated in accordance with TCZSZ No. 0920001301 dated March 27, 2003. The scope is as follows:

- (1) President and equivalent
- (2) Vice president and equivalent
- (3) Senior manager and equivalent
- (4) Head of finance department
- (5) Head of accounting department
- (6) Other persons who have the right to manage affairs and sign for the company

Note 4: If the director, president, or vice president receive employee compensation (including stocks and cash), in addition to filling in the table 1-2, this table shall also be filled in.

(III) Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements During the Past 2 Fiscal Years to Directors, Supervisors, the President, and Vice Presidents, with Analysis and Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Link.

1. Separate Comparisons and Descriptions of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company-only Financial Reports or Individual Financial Reports, as Paid by the Company and All Other Companies Included in the Consolidated Financial Statements: 2.73% in 2021; 2.21% in 2022.
2. The Company shall withdraw the employees' remuneration and directors' remuneration from the current year's pre-tax benefits before deduction of the distributed employees' remuneration and directors' remuneration in accordance with the articles of association. In 2021, due to operating performance growth, employees' remuneration was withdrawn at 3.8%, and directors' remuneration at 0.5%; due to continuing operating performance growth in 2022, employees' remuneration was withdrawn at 3.4%, and directors' remuneration at 0.45%; directors' remuneration is used to pay independent directors' fixed remuneration and business execution expenses and to pay directors' travel expenses.
3. The Company's policy for directors' remuneration is handled based on the provisions of Article 18 and Article 23 of the Company's Articles of Association. The remuneration of the president and vice presidents is handled in accordance with the Company's salary payment standards; the Remuneration Committee will make verification and review of the payment according to individual performance appraisals and market trends, and the remuneration will be adopted by the Board of Directors.

The Company Article 18: The Board of Directors is authorized to determine the remunerations for all directors based on the degree of their participation in and contribution to the operations of the Company, and referred at a rate not exceeding the general practices in the industry. The Board of Directors may claim transportation expenses based on actual expenditure. The Board of Directors shall, in accordance with Articles 23, distribute remuneration in the event of profits.

The Company Article 23: If the Company has gained profits within a fiscal year, 2% to 10% of the profits shall be reserved as the employees' compensation, and the Board of Directors shall decide whether to distribute in the form of shares or in cash. The compensation applies to employees of parents or subsidiaries of the Company meeting certain specific requirements. The Company may, upon resolution by the Board of Directors, reserve not more than 2% of the above profit as directors' remuneration. Proposals for the distribution of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. In case of accumulated loss, the Company shall reserve a specific amount to make up for losses before distributing employees' compensation and directors' remuneration according to aforementioned ratios.

IV. The state of the Company's implementation of corporate governance

(I) Information on the operation of the Board of Directors:

The Board of Directors met 5 times in the most recent year (A), and the attendance of directors and supervisors is as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A) (Note 2)	Note
Chairman	Lin, Yu-Hsin	5	0	100%	—
Director	Lin, Yi-Hsien	5	0	100%	—
Director	Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying	5	0	100%	—
Director	Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang	5	0	100%	—
Independent Director	Chen, Kuei-Tuan	5	0	100%	—
Independent Director	Chen, Yung-Hsueh	5	0	100%	—
Independent Director	Ma, Hui-Chen	5	0	100%	—

Other matters:

I. In the operation of the Board of Directors, any of the following matters shall be specified with meeting date, session, subject of discussion, opinions of all Independent Directors, and the Company's response to the opinions:

(I) Matters required by Article 14-3 of the Securities and Exchange Act:

Date of Board Meeting (session)	Subject of Discussion	Opinions of all Independent Directors, and the Company's response to the opinions:
March 24, 2022 (1st in 2022)	<ol style="list-style-type: none"> 1. Reviewed the short-term general credit line as well as derivative financial commodity trading credit granted by financial institutions. 2. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 3. Reviewed the independence assessment and compensation of the certifying CPAs appointed by the Company. 4. Reviewed the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". 	All the independent directors present had no adverse or qualified opinion; the proposals were approved with no objection by all the directors present
May 11, 2022 (2nd in 2022)	<ol style="list-style-type: none"> 1. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 2. Reviewed the short-term general credit line as well as hedging limit for financial commodity trading granted by financial institutions. 	

August 9, 2022 (3rd in 2022)	1. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary.	Same as previous page
November 8, 2022 (4th in 2022)	1. Reviewed the proposal on replacement of CPAs since Q3 2022 in accordance with the internal rotation of the CPA firm. 2. Reviewed the proposal on the line of credit for the Company's funds lending to the grandson company PROMAX (Kunshan) Co., Ltd. 3. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary.	
December 21, 2022 (5th in 2022)	1. Reviewed the short-term general credit line as well as derivative financial commodity trading credit granted by financial institutions. 2. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 3. Reviewed the proposal to increase the capital of the Company's American subsidiary.	

(II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None

II. Regarding recusals of Directors due to conflicts of interests, the names of the Directors, subject of discussion, reasons for recusal, and results of voting shall be specified:

On December 21, 2022, the Board of Directors discussed the plan for the remuneration to managerial officers and employees for 2021 and for year-end bonus for managerial officers for 2022. Three concurrent employees, director Lin, Yu-Hsin, director Lin, Yi-Hsien, and director Chu, Ming-Yang, left the meeting in accordance with the law to avoid discussion and voting. The voting result was adopted without objection.

III. The Company disclosed information such as the evaluation cycle and period, evaluation scope, method, and evaluation content of the Board of Directors' self (or peer) evaluation, and filled in the attached Table 2 (2) Implementation Status of Evaluation on Board Meetings.

Implementation Status of Evaluation on Board Meetings:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content (Note)
Annually	Evaluation of the performance of the Board of Directors from January 1, 2022 to December 31, 2022	Performance evaluation of the Board of Directors, individual board members and functional committee members	Performance evaluation through internal self-evaluation of the Board of Directors, self-evaluation of board members, and peer evaluation methods	Implemented according to the Company's "Board of Directors Self-evaluation or Peer Evaluation Measures" after discussion and approval by the Board of Directors

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

- (1) The performance evaluation of the Board of Directors: including the degree of participation in the Company's operations, improving the decision-making quality of the board, the composition and structure of the board, the selection and continuing education of directors, internal control, etc.
- (2) Performance evaluation of individual director members: including mastery of Company goals and tasks, awareness of directors' responsibilities, degree of participation in Company operations, internal relationship management and communication, directors' professional and continuing

education, internal control, etc.

- (3) Performance evaluation of functional committees: the degree of participation in the Company's operations, awareness of the responsibilities of functional committees, decision-making quality of functional committees, composition of functional committees and selection of members, internal control, etc.
- IV. Objectives of strengthening of the Board's functions (including setting up an audit committee and enhancing information transparency) for the current and most recent years and its implementation status:
- (I) Effectively perform the functions of the Board of Directors:
1. The Company purchases liability insurance for all directors, which will help the directors to perform their duties wholeheartedly.
 2. As of December 31, 2022, the attendance rates of the three independent directors in the 2022 board meetings of the Company were 100%.
 3. The Company continues to evaluate the performance of the Board of Directors and functional committees at least once a year, and cooperates with the implementation and review of various evaluation tasks of the "Board Performance Evaluation Procedures" to help improve the effectiveness of the Board of Directors. For the board performance evaluation result report 2022 (including the Board of Directors, board members, and functional committees), refer to page 37.
- (II) Continue to strengthen the structure of the Board of Directors:
1. In order to improve corporate governance and strengthen the functions of the Board of Directors, the Company's board members are diverse and possess the knowledge, skills and literacy necessary to perform their duties.
 2. The Board of Directors targets the corporate governance evaluation to improve information transparency.

Note 1: If the directors and supervisors are legal persons, the names of the legal person shareholders and their representatives shall be disclosed.

Note 2: (1) If a director or supervisor resigns before the end of the year, the resignation date shall be indicated in the remarks column. Attendance Rate (%) is calculated based on the number of Board meetings called and the actual number of meetings Directors attended during their term of office.

(2) If, before the end of the year, there is a re-election of directors and supervisors, both the new and old directors and supervisors should be listed, and the remarks column should indicate whether the directors and supervisors are old, new or re-elected and the date of re-election. Attendance Rate (%) is calculated based on the number of Board meetings called and the actual number of meetings Directors attended during their term of office.

(II) Information on the operation of the Audit Committee

The Audit Committee met 5 times in the most recent year (A), and the attendance of is as follows:

Title	Name	Attendance in Person (B)	Attendance rate (%) (B/A) (Note)	Note
Independent Director	Chen, Kuei-Tuan	5	100%	—
Independent Director	Chen, Yung-Hsueh	5	100%	—
Independent Director	Ma, Hui-Chen	5	100%	—

Other matters:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date of Board Meeting (session)	Date of Audit Committee Meeting (session)	Subject of Discussion	Opinions of all members of Audit Committee, and the Company's response to the opinions
March 24, 2022 (1st in 2022)	March 24, 2022 (1st in 2022)	<ol style="list-style-type: none"> 1. Reviewed the short-term general credit line as well as derivative financial commodity trading credit granted by financial institutions. 2. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 3. Reviewed the annual "Internal Control System Effectiveness Assessment" and the "Statement on Internal Control". 4. Reviewed the final statements for 2021. 5. Reviewed the independence assessment and compensation of the certifying CPAs appointed by the Company. 6. Reviewed the amendment of the Company's "Procedures for Acquisition or Disposal of Assets". 	All the independent directors present had no adverse or qualified opinion or material suggestion; the proposals were approved with no objection by all the members of the Audit Committee present; there was no response from the Company to opinions from the Audit Committee.

May 11, 2022 (2nd in 2022)	May 11, 2022 (2nd in 2022)	<ol style="list-style-type: none"> 1. Reviewed the Company's Q1 2022 Consolidated Financial Statements. 2. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 3. Reviewed the short-term general credit line as well as hedging limit for financial commodity trading granted by financial institutions. 	Same as previous page
August 9, 2022 (3rd in 2022)	August 9, 2022 (3rd in 2022)	<ol style="list-style-type: none"> 1. Reviewed the Company's Q2 2022 Consolidated Financial Statements. 2. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 	
November 8, 2022 (4th in 2022)	November 8, 2022 (4th in 2022)	<ol style="list-style-type: none"> 1. Reviewed the proposal on replacement of CPAs since Q3 2022 in accordance with the internal rotation of the CPA firm. 2. Reviewed the Company's Q3 2022 Consolidated Financial Statements. 3. Reviewed the proposal on the line of credit for the Company's funds lending to the grandson company PROMAX (Kunshan) Co., Ltd. 4. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 5. Reviewed the 2023 "Annual Internal Audit Plan". 	
December 21, 2022 (5th in 2022)	December 21, 2022 (5th in 2022)	<ol style="list-style-type: none"> 1. Reviewed the short-term general credit line as well as derivative financial commodity trading credit granted by financial institutions. 2. Reviewed the proposal to increase the line of credit for the Company's funds lending to its American subsidiary. 3. Reviewed the proposal to increase the capital of the Company's American subsidiary. 	

(II) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all Directors: None.

II. Regarding recusals of independent directors from voting due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

III. Communications between the independent directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.):

(I) When necessary, independent directors discussed and communicated with the chief internal auditor on financial and internal related issues. The communication channels were smooth and good communication was achieved.

(II) The certifying CPAs regularly communicated and discussed the Company's financial and business conditions with Company directors, and reported and communicated with the Audit Committee on the audit and discussion matters for 2022.

In 2022, independent directors communicated with the chief internal auditor

Information on the operation of Audit Committee is stated in the following table:

Date	Discussion Points
2022.3.24	<ul style="list-style-type: none"> ✓ Implementation and improvement of audit plan for 2022 ✓ The "Internal Control System Effectiveness Assessment" and the "Statement on Internal Control" for the fiscal year 2021 ✓ Amendment of the Company's "Procedures for Acquisition or Disposal of Assets" ✓ The independent directors had no opinion in this meeting.
2022.5.11	<ul style="list-style-type: none"> ✓ Implementation and improvement of audit plan for 2022 ✓ The independent directors had no opinion in this meeting.
2022.8.9	<ul style="list-style-type: none"> ✓ Implementation and improvement of audit plan for 2022 ✓ The independent directors had no opinion in this meeting.
2022.11.8	<ul style="list-style-type: none"> ✓ Implementation and improvement of audit plan for 2022 ✓ The independent directors had no opinion in this meeting.
2022.12.21	<ul style="list-style-type: none"> ✓ Implementation and improvement of audit plan for 2022 ✓ Amendment of the Company's "Procedures for Handling Material Inside Information and Preventing Insider Trading" and "Rules of Procedure for Board of Directors Meetings" ✓ 2023 annual audit plan ✓ The independent directors had no opinion in this meeting.

Note: If, before the end of the year, there is a re-election of supervisors, both the new and old supervisors should be listed, and the remarks column should indicate whether the supervisors are old, new or re-elected and the date of re-election. Actual Attendance Rate (%) is calculated based on the actual number of meetings supervisors attended during their term of office.

(III) Implementation of corporate governance and its deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Whether the Company formulates and discloses the Corporate Governance Best Practice Principles as per the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.	V		In order to establish a good corporate governance system, the Company drafted the “Governance Best Practice Principles”, and entrusted the President’s office, Auditing Office and Management Department to control and review the implementation status.	No major difference
II. Shareholding structure & shareholders’ rights (I) Does the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to internal procedure?	V		(I) The Company has established a spokesperson system, the Company’s website has established a shareholder information investor service window, and a dedicated person is responsible for matters related to stock affairs.	(I) No major difference
(II) Does the company maintain a register of major shareholders, who have actual control over the company, and a register of principal shareholders, who have ultimate control over the company?	V		(II) The Company has stock affairs undertaking staff responsible for handling related matters, and is assisted by the stock affairs agency Stock Affairs Agency Department of Grand Fortune Securities Co., Ltd. The Company keeps track and grasps the list of major shareholders at any time	(II) No major difference

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the company establish and enforce risk control and firewall systems with its affiliated companies?	V		(III) The Company has formulated relevant management regulations such as the “Measures for Supervision and Control of Subsidiaries” and the “Measures for the Management of Related Parties, Specific Companies and Group Enterprises Transactions”, and the auditors also conduct regular audits.	(III) No major difference
(IV) Does the company have internal regulations in place to prevent its internal personnel from trading securities based on information yet to be public on the market?	V		(IV) The Company has formulated the “Procedures for Handling Material Inside Information and Preventing Insider Trading” to prevent its internal personnel from trading securities based on information yet to be public on the market.	(IV) No major difference
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors establish and implement a policy to diversify its composition?</p>	V		<p>(I) The Company has standardized the composition of the Board of Directors with diversity in consideration, and has formulated a diversity policy for the company's operation, operation type and development needs</p> <p>1. Please refer to page 19 for details on the implementation status of the Company's Board of Directors diversity policy</p> <p>2. Description of the Company's Diversity Implementation:</p> <p>(1) The Company currently has 7 board members (including 3 independent directors accounting for 43%). Three of the board members have the qualification of Certified Public Accountant of the R.O.C., one of the independent</p>	(I) No major difference

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors establish and implement a policy to diversify its composition?</p>	V		<p>directors has legal expertise, and more than half of the board members are not serving concurrently as employees or managers of the Company. The board members have rich experience, professional knowledge and skills in the fields of finance, law, business and management, and are independent in order to effectively perform their supervisory functions</p> <p>(2) The company also pays attention to gender equality in the composition of the board of directors. At present, there are 7 directors, including 4 female directors, with a female director ratio of 57%.</p>	(I) No major difference
<p>(II) In addition to the Remuneration Committee and Audit Committee, established according to the law, has the company voluntarily established other functional committees?</p>	V		(II) Under discussion	(II) Under discussion
<p>(III) Does the company establish a performance evaluation procedure and method for the Board of Directors and conduct performance evaluation accordingly on an annual basis? Are the results of such evaluation reported to the Board of Directors and applied to the remuneration and nomination for reelection?</p>	V		<p>(III) The evaluation policies and evaluation methods of Board of Directors' performance have been formulated. Self-evaluation and peer evaluation were conducted for the functional committees in 2022, and the evaluation results have been reported to the Board of Directors.</p>	(III) No major difference

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof																		
	Yes	No	Description																			
(III) Does the company establish a performance evaluation procedure and method for the Board of Directors and conduct performance evaluation accordingly on an annual basis? Are the results of such evaluation reported to the Board of Directors and applied to the remuneration and nomination for reelection?	V		<p>1. Board of directors' performance evaluation results:</p> <table border="1"> <thead> <tr> <th>Number of evaluation items</th> <th>Evaluation results</th> </tr> </thead> <tbody> <tr> <td>A. Involvement in the Company's business activities</td> <td rowspan="6">Excellent</td> </tr> <tr> <td>B. Improving Board of Directors' decision-making</td> </tr> <tr> <td>C. Composition and structure of the Board of Directors</td> </tr> <tr> <td>D. Election of directors and their continuing education</td> </tr> <tr> <td>E. Internal control</td> </tr> <tr> <td>F. Other</td> </tr> </tbody> </table> <p>2. Results of self-evaluation of board members:</p> <table border="1"> <thead> <tr> <th>Number of evaluation items</th> <th>Evaluation results</th> </tr> </thead> <tbody> <tr> <td>A. Control over the Company's goals and tasks</td> <td rowspan="6">Excellent</td> </tr> <tr> <td>B. Understanding of director duties and functions</td> </tr> <tr> <td>C. Involvement in the Company's business activities</td> </tr> <tr> <td>D. Management of internal relations and communication</td> </tr> <tr> <td>E. Professional and continuing education of directors</td> </tr> <tr> <td>F. Internal control</td> </tr> </tbody> </table>	Number of evaluation items	Evaluation results	A. Involvement in the Company's business activities	Excellent	B. Improving Board of Directors' decision-making	C. Composition and structure of the Board of Directors	D. Election of directors and their continuing education	E. Internal control	F. Other	Number of evaluation items	Evaluation results	A. Control over the Company's goals and tasks	Excellent	B. Understanding of director duties and functions	C. Involvement in the Company's business activities	D. Management of internal relations and communication	E. Professional and continuing education of directors	F. Internal control	(III) No major difference
Number of evaluation items	Evaluation results																					
A. Involvement in the Company's business activities	Excellent																					
B. Improving Board of Directors' decision-making																						
C. Composition and structure of the Board of Directors																						
D. Election of directors and their continuing education																						
E. Internal control																						
F. Other																						
Number of evaluation items	Evaluation results																					
A. Control over the Company's goals and tasks	Excellent																					
B. Understanding of director duties and functions																						
C. Involvement in the Company's business activities																						
D. Management of internal relations and communication																						
E. Professional and continuing education of directors																						
F. Internal control																						

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Does the company regularly evaluate the independence of its CPAs?	V		(IV) The independence of the CPAs complies with the laws and regulations. The Audit Committee evaluates the independence and applicability of the CPAs every year on a regular basis, requires the CPAs to provide a “Statement of Independence” and an “Audit Quality Indicators Report” based on the “Audit Quality Indicators (AQIs)”, and submits the results to the Board of Directors for discussion. The latest evaluation was approved by the Audit Committee on March 15, 2023 and subsequently submitted to the Board of Directors for approval on March 15, 2023. Refer to page 44 for the evaluation status.	(IV) No major difference
IV. Does the company dedicate adequate and sufficient personnel to attend to corporate governance affairs, and appoint a head of corporate governance to be in charge of corporate governance matters (including but not limited to providing information required for the performance Directors and Supervisors, assisting Directors and Supervisors in compliance with related laws and regulations, conducting the Board/shareholders’ meetings according to the law, keeping meeting minutes and records of Board/shareholders’ meetings, etc.)?	V		The Company has set up full-time (part-time) personnel to handle corporate governance-related matters. In March 2021, the Board of Directors passed a resolution to appoint a senior manager with accountant qualifications and years of financial and accounting experience as the head of corporate governance to be responsible for supervision to strengthen the functions of the Board of Directors; and will cooperate with the completion of related courses (hours). (I) Corporate governance affairs are carried out with the cooperation of relevant units. The main responsibilities: 1. Provide information needed by directors to perform business and assist in arranging continuous education and complying with laws and regulations.	No major difference

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof													
	Yes	No	Description														
IV. Does the company dedicate adequate and sufficient personnel to attend to corporate governance affairs, and appoint a head of corporate governance to be in charge of corporate governance matters (including but not limited to providing information required for the performance Directors and Supervisors, assisting Directors and Supervisors in compliance with related laws and regulations, conducting the Board/shareholders' meetings according to the law, keeping meeting minutes and records of Board/shareholders' meetings, etc.)?	V		2. Handle matters related to the Board of Directors, its establishment of committees, and shareholder meetings in accordance with the law.	No major difference													
			3. Assist in the implementation and strengthening of corporate governance.														
			(II) The details of corporate governance related courses for the head of corporate governance are as follows:														
			<table border="1"> <thead> <tr> <th>Training Institution</th> <th>Course Name</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>Financial Supervisory Commission</td> <td>The 13th Taipei Corporate Governance Forum Morning & Afternoon Sessions</td> <td>6 hours</td> </tr> <tr> <td rowspan="3">Accounting Research and Development Foundation</td> <td>Case analysis of false financial reports and how to see key information in financial reports</td> <td>3 hours</td> </tr> <tr> <td>Supervision practice of substantive financial report audit and related laws and regulations and common deficiencies in business</td> <td>6 hours</td> </tr> <tr> <td>Relevant legal responsibilities and case analysis of the competition for company management rights</td> <td>3 hours</td> </tr> </tbody> </table>		Training Institution	Course Name	Duration	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum Morning & Afternoon Sessions	6 hours	Accounting Research and Development Foundation	Case analysis of false financial reports and how to see key information in financial reports	3 hours	Supervision practice of substantive financial report audit and related laws and regulations and common deficiencies in business	6 hours	Relevant legal responsibilities and case analysis of the competition for company management rights	3 hours
			Training Institution		Course Name	Duration											
Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum Morning & Afternoon Sessions	6 hours															
Accounting Research and Development Foundation	Case analysis of false financial reports and how to see key information in financial reports	3 hours															
	Supervision practice of substantive financial report audit and related laws and regulations and common deficiencies in business	6 hours															
	Relevant legal responsibilities and case analysis of the competition for company management rights	3 hours															

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
V. Does the company establish a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicate a section of the company's website for stakeholder affairs, and adequately respond to stakeholders' inquiries on significant corporate social responsibility issues?	V		A shareholder information investor service window has been set up on the Company's website to appropriately respond to important corporate social responsibility issues of concern to stakeholders.	No major difference
VI. Does the company commission a professional stock transfer agency for shareholder meetings and related affairs?	V		A professional stock transfer agency has been commissioned to handle affairs related to shareholder meetings. The stock affairs agency "Stock Affairs Department, Grand Fortune Securities Co., Ltd."	No major difference
VII. Information disclosure				
(I) Does the company establish a website to disclose information on financial operations and corporate governance?	V		(I) The Company has set up a website to disclose Company-related information through shareholder information and via public information observatories.	(I) No major difference
(II) Does the company have other information disclosure channels (e.g. establishing an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences, etc.)?	V		(II) The Company has designated a person to be responsible for the collection and disclosure of Company information and has implemented a spokesperson system in accordance with regulations.	(II) No major difference

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and does it publish and report its financial reports for the first, second and third quarters as well as its monthly operating status before the specified deadline?		V	(III) The Company publishes and reports its annual financial report within two months after the end of a fiscal year, its financial reports for the first, second and third quarters as well as its monthly operating status before the specified deadline.	(III) No major difference
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		<ol style="list-style-type: none"> 1. Employee rights and employee care: refer to page 99 for Labor relations. 2. Investor relations: The Company has established a spokesperson system to handle shareholder suggestions and interactive relations. 3. Supplier relationship: The Company maintains a good relationship with suppliers to build the best supply system and create a win-win situation. 4. Stakeholder's rights: Stakeholders can communicate with the Company and make suggestions to protect their legitimate rights and interests. 5. Situation of continuous education of directors: The Company provides regulations related to directors at any time, and participates in relevant training courses and seminars in accordance with personal time considerations. The continuous education situation is disclosed in the corporate governance section of the public information 	No major difference

Assessment item	Implementation Status (Note)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?	V		<p>observatory.</p> <p>6. Implementation of risk management policies and risk measurement standards: The Company formulates various management regulations in accordance with the law and conducts various risk management and evaluations to maintain the Company in an advantageous position.</p> <p>7. Implementation of customer policy: The Company maintains a stable and good relationship with customers and creates maximum profits for the Company.</p> <p>8. Purchase of liability insurance for directors by the Company: The Company continued to purchase directors' liability insurance in 2022 and 2023.</p>	No major difference
<p>IX. Please describe improvements in accordance with corporate governance assessment results issued by the Corporate Governance Center, TWSE in the most recent year, and provide related improvement plan of higher priorities for items that has not yet improved.</p> <p>It is scheduled to propose priority strengthening items and measures:</p> <p>1. The Company will upload the English version of the meeting notice and the English version of the agenda 30 days before the 2023 shareholders' meeting.</p> <p>2. The Company will upload the English version of the 2022 Annual Financial Report 16 days before the shareholders' meeting 2023.</p>				

Note: Whether the implementation status is checked "Yes" or "No", it should be stated in the summary description column.

Evaluation of the Independence of the certifying CPAs

The Company has performed the evaluation on the independence of the Company's certifying CPAs pursuant to Article 29 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies as follows and submitted the evaluation report to the first meeting of the Board of Directors in 2022 for approval:

Evaluation of the Independence of the certifying CPAs by Lee Chi Enterprises Co., Ltd.

Evaluation Date: March 02, 2023

I. Handling as per Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

II. Evaluation items are as follows:

Determined in accordance with Article 47 of the CPAs' Act and the Code of Occupational Ethics for CPAs Bulletin 10:

Item	Rating	Independence of the CPAs
1. Do the CPAs have direct or significant indirect financial interest with the Company?	No	Yes
2. Have the CPAs incurred financing or guarantee activities with the Company or its directors?	No	Yes
3. Do the appointed CPAs have close business relationships or potential employment with the Company?	No	Yes
4. The CPAs and members of the audit team serving as directors or managerial officers or holding positions with significant influence on the audit work of the Company at present or in the past 2 years	No	Yes
5. Do the appointed CPAs provide non-audit services for the Company that would have a direct impact on the audits?	No	Yes
6. Do the CPAs serve as an intermediary of the shares or other securities issued by the Company?	No	Yes
7. Do the CPAs serve as a defense counsel of the Company or represent the Company in mediating conflicts with third parties?	No	Yes
8. Are the CPAs a family member or relative of a director or managerial officer or person holding a position that has a significant impact on the audit work of the Company?	No	Yes
9. As of now, have the CPAs engaged in any matter that may result in disciplinary actions taken against him/her or damage to the principle of independence?	No	Yes
10. Do the CPAs and members of the audit team follow the principle of integrity, honesty, fairness, objectivity and independence?	Yes	Yes

(IV) If a remuneration committee is established, its composition, responsibilities and operation condition shall be disclosed:

1. Information on Remuneration Committee Members

December 31, 2022

Title (Note 1)	Requirements Name	Professional Qualification and Experience (Note 2)	Independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director Convener	Chen, Kuei-Tuan	<p>1. Position currently held:</p> <p>(1) Certified Public Accountant at EnWise CPAs & Co.</p> <p>(2) Independent Director of CHC Healthcare Group and Chumpower Machinery Corporation</p> <p>(3) Director of Swancor International Investment Holdings Co., Ltd</p> <p>(4) Independent Director and Remuneration Committee Member of Lee Chi Enterprises Co., Ltd.</p> <p>2. Other main position held and experience:</p> <p>(1) Professor, Head of the Accounting Department, Director of the Graduate Institute of Accounting and Taxation at Feng Chia University, Adjunct Professor in the Graduate Institutes of Accounting of National Chung Hsing University, Tunghai University and Providence University</p> <p>(2) Legislative assistant in the Budget Group of the Legislative Consultation Center of the Legislative Yuan - passed the Class A government functionary examination as an accounting auditor</p>	<p>1. Mr. Chen is not an employee of the company or any of its affiliates.</p> <p>2. Mr. Chen, his spouse or relative within the second degree of kinship are not a director, a supervisor or an employee of the company or any of its affiliates.</p> <p>3. Mr. Chen, his spouse or relative within the second degree of kinship (or held by Mr. Chen under others' names) do not hold shares of the Company.</p> <p>4. Mr. Chen has not been the director, supervisor or employee of specific related companies</p> <p>5. No compensation was paid to Mr. Chen for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.</p> <p>6. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.</p>	2

Title (Note 1)	Requirements Name	Professional Qualification and Experience (Note 2)	Independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director Member	Chen, Yung-Hsueh	<p>1. Position currently held: Independent Director and Remuneration Committee Member of Lee Chi Enterprises Co., Ltd.</p> <p>2. Other main position held and experience: Senior Manager of Asian Banks, Vice President of DBS Bank</p>	<p>1. Ms. Chen is not an employee of the company or any of its affiliates.</p> <p>2. Ms. Chen, her spouse or relative within the second degree of kinship are not a director, a supervisor or an employee of the company or any of its affiliates.</p> <p>3. Ms. Chen, her spouse or relative within the second degree of kinship (or held by Ms. Chen under others' names) hold 140,462 shares, which is 0.06% of the Company's shares.</p> <p>4. Ms. Chen has not been the director, supervisor or employee of specific related companies</p> <p>5. No compensation was paid to Ms. Chen for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.</p> <p>6. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.</p>	0

Title (Note 1)	Requirements Name	Professional Qualification and Experience (Note 2)	Independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director Member	Ma, Hui-Chen	<p>1. Position currently held:</p> <p>(1) Chief Operating Officer of Eternal On CPAs</p> <p>(2) Independent Director and Remuneration Committee Member of Lee Chi Enterprises Co., Ltd.</p> <p>2. Other main position held and experience:</p> <p>(1) KPMG Audit Assistant Manager</p> <p>(2) Assistant Manager of COTA Commercial Bank</p> <p>(3) Director and Supervisor of Shih-Kuen Plastic Co., Ltd.</p> <p>(4) Director of Jie-Ya Co., Ltd.</p>	<p>1. Ms. Ma is not an employee of the company or any of its affiliates.</p> <p>2. Ms. Ma, her spouse or relative within the second degree of kinship are not a director, a supervisor or an employee of the company or any of its affiliates.</p> <p>3. Ms. Ma, her spouse or relative within the second degree of kinship (or held by Ms. Ma under others' names) do not hold shares of the Company.</p> <p>4. Ms. Ma has not been the director, supervisor or employee of specific related companies</p> <p>5. No compensation was paid to Ms. Ma for providing commercial, legal, financial or accounting services to the company or to any affiliate of the company within the recent two years.</p> <p>6. Matched none of the circumstances described in subparagraphs under Article 30 of the Company Act.</p>	0

2. Remuneration Committee

- (1) The 4th Remuneration Committee of the Company was approved by the Board of Directors on June 24, 2020. There are 3 members, namely Chen, Kuei-Tuan, Chen, Yung-Hsueh, and Ma, Hui-Chen. The committee members recommended Chen , Kuei-Tuan as the convener.
- (2) The remuneration committee is responsible for formulating and regularly reviewing the policies, systems, standards and structure of directors and managers' performance evaluation and remuneration, regularly evaluating the achievement of the Company's directors and managers' performance goals, and determining the content and amount of their individual salary and remuneration.
- (3) The term of office of the current members: June 24, 2020 to June 23, 2023. From 2022 to the date of publication of this annual report, three meetings have been held (A), and the members' attendance is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Note
Convener	Chen, Kuei-Tuan	3	0	100%	—
Member	Chen, Yung-Hsueh	3	0	100%	—
Member	Ma, Hui-Chen	3	0	100%	—

Other matters:

- I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date of the board meeting, the period, the content of the proposal, the results of the resolutions of the Board of Directors and the Company's response to the opinions of the Remuneration Committee shall be stated (if the salary and compensation approved by the Board of Directors are better than the recommendations of the Remuneration Committee, state the difference and reasons): None.
- II. If, for the resolutions of the Remuneration Committee, members have adverse or qualified opinions and there are records or written declarations, the date of the board meeting, the period, the content of the proposal, the results of the resolutions of the Board of Directors and the Company's response to the opinions of the Remuneration Committee shall be stated: None.

Note: (1) If a member of the Remuneration Committee resigns before the end of the year, the resignation date shall be indicated in the remarks column. Attendance Rate (%) is calculated based on the number of Remuneration Committee meetings called and the actual number of meetings the members of the Remuneration Committee attended during their term of office.

- (2) If, before the end of the year, there is a re-election of members of the Remuneration Committee, both the new and old members of the Remuneration Committee should be listed, and the remarks column should indicate whether the members are old, new or re-elected and the date of re-election. Attendance Rate (%) is calculated based on the number of Remuneration Committee meetings called and the actual number of meetings the members of the Remuneration Committee attended during their term of office.

3. Discussions and resolutions of the Remuneration Committee:

Remuneration Committee Meeting Date (session)	Subject of Discussion	Result of the Resolution
March 24, 2022 (1st in 2022)	Reviewed the Company's current director and manager performance appraisal and remuneration evaluation standards. Considered the proposal of distribution of 2021 remuneration of directors and managerial officers of the Company.	After all the members present agreed with the proposal without dissenting opinions, the proposal was submitted to the Board of Directors for discussion and adopted without objection by all the directors present.
December 21, 2022 (2nd in 2022)	Reviewed the Company's current director and manager performance evaluation, performance appraisal and remuneration standards. Considered the amount of 2021 compensation of managerial officers of the Company. Considered the year-end bonuses of managerial officers of the Company in 2022. Proposed the 2023 Work Plan of the Remuneration Committee.	

(V) Performance of Sustainable Development, Discrepancy with the “Sustainable Development Best Practice Principles for TWSE/TPEX

Listed Companies” and Reasons Thereof:

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
I. Does the Company establish exclusively (or concurrently) dedicated personnel to implement sustainable development with senior management authorized by the board to be in charge of proposing the sustainable development policies and reporting to the board?		V	<ol style="list-style-type: none"> 1. The Company discussed the establishment of the ESG Sustainable Development Committee in 2023 to manage matters related to corporate sustainability from three aspects: governance, environment, and society. 2. The Company is currently developing a sustainability report, and is helping to improve sustainability management performance through training, counseling, etc., and is expected to issue a sustainability report in September 2023. 3. The ESG Sustainable Development Committee plans to regularly report to the Company's decision-making management on the planning, progress and results of sustainable development business every six months, and report to the board of directors at least once a year on sustainable development implementation results and future work plans. 4. Members of the board of directors will supervise and advise on the implementation by the Company, including but not limited to management policies, strategy and goal formulation and review measures, etc. 	The Company will set up the ESG Sustainable Development Committee.

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
II. Does the company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and establish relevant risk management policies or strategies? (Note 2)	V		<p>1. The Company prepares the sustainability report in accordance with international standards, pays attention to the opinions of stakeholders, establishes multiple communication channels with stakeholders, as a reference for the formulation of the Company’s management policies, conducts regular analysis of major issues, identifies issues that stakeholders are concerned about, collect stakeholders’ concerns about the environment, society, and governance related issues, including employee communication, supplier relations, customer relations, investor relations, financial, taxation and securities institutions relations, factory environmental safety and hygiene, etc., and confirms the degree of impact on the Company's sustainability, and currently prepares a sustainable report based on it</p> <p>2. In response to the impact of climate change on the environment and economy and the significant impact on the Company's sustainable development, the Company has introduced the ISO14001 management system since 2016, and the risk assessment of environmental considerations has been regularly implemented. Moreover, the Company introduced ISO14064-1 in February 2023. The greenhouse gas inventory report is expected to be completed in September, and the Company will continuously monitor the impact of climate change.</p>	No major difference

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
<p>III. Environmental Issues</p> <p>(I) Does the company establish a suitable environment management system in reference to the nature of its industry?</p>	V		(I) The Company established the Environmental Safety and Health Promotion Committee and implemented the ISO14001 environmental management system, and began to introduce ISO14064-1 to devote itself to environmental protection. The products produced are bicycle parts, which belong to the green energy industry. Through the use of consumers, it can effectively reduce environmental pollution, thus contributing to environmental protection.	(I) No major difference
<p>(II) Is the company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?</p>	V		(II) Belonging to the metal processing industry, the Company has been investing a lot of resources for a long time, purchasing high-efficiency and low-energy-consuming machines, seeking to improve the production process to meet the requirements of national environmental protection laws, and cooperating with suppliers to discuss the use of low-carbon aluminum and recycled aluminum. The Company has entrusted the Management Department to deal exclusively with energy saving and carbon reduction, the construction of solar panels for power regeneration, the use of renewable energy, and the regeneration and recycling of various production materials and waste.	(II) No major difference
<p>(III) Does the company assess the potential risks and opportunities arising from climate change at present and in the future and take related countermeasures?</p>	V		(III) The Company has established the Safety and Health office, the Environmental Safety and Health Promotion Committee and the ESG Sustainable Development Committee, paying attention to the impact of climate change on operational activities, and actively controlling	(III) No major difference

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
(III) Does the company assess the potential risks and opportunities arising from climate change at present and in the future and take related countermeasures?	V		the utilization of water, electricity, gas and other energy sources. Pertaining to the new product development process, the Company is dedicated to increase the utilization rate of materials, reduce the generation of waste and use low-carbon aluminum and recycled aluminum to decrease the impact on the environment, and promote various energy-saving and carbon-reduction measures. The Company has obtained the certifications of ISO14001:2015, ISO45001:2018 and CNS45001:2018 (TOSHMS).	(III) No major difference
(IV) Does the company calculate the greenhouse gas emissions, water consumption, and total weight of waste over the past two years as well as establish policies on energy conservation, reductions in carbon and greenhouse gas emission, water conservation, and waste management?	V		(IV) The Company introduced ISO14064-1 in 2023, and the greenhouse gas inventory report is expected to be completed in September. The Company’s Changhua Plant has kept track of its greenhouse gas emissions, water consumption, and total waste weight in the past two years. According to the inventory results, they were 5,870T CO ₂ , 850T and 50.73T respectively in 2021; revenue continued to grow in 2022, with production increasing correspondingly, the relative emissions and consumption have also increased. On the whole, the Company is committed to achieving environmental energy conservation and carbon reduction management goals. The Company’s safety and health office and the environmental safety and health promotion committee actively control the utilization of various water, electricity, and gas energies, and promote various energy-saving and	(IV) The Company introduced ISO14064-1 in 2023, and the greenhouse gas inventory report is expected to be completed in September.

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
(IV) Does the company calculate the greenhouse gas emissions, water consumption, and total weight of waste over the past two years as well as establish policies on energy conservation, reductions in carbon and greenhouse gas emission, water conservation, and waste management?	V		carbon-reduction measures, trying hard to implement the policies for energy-saving and carbon reduction, greenhouse gas reduction, water reduction, and other waste management. Every half a year, the Company cooperates with the carbon dioxide concentration monitoring by the Environmental Protection Agency of the Ministry of Labor, and the results are qualified. The target of energy-saving effect is set at an annual average energy saving of 1.87%, and the annual average of over 1% stipulated by the Energy Bureau of the Ministry of Economic Affairs has been reached. The electricity saving rate in 2023 is expected to be 2.28%	(IV) The Company introduced ISO14064-1 in 2023, and the greenhouse gas inventory report is expected to be completed in September.
IV. Social Issues (I) Does the company establish appropriate management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?	V		(I) In order to fulfill corporate social responsibilities, protect basic human rights and related rights and interests of employees, the Company has formulated its employee human rights policies and sexual harassment prevention complaints and punishment measures in accordance with labor laws, international labor and human rights conventions and other norms, so that the entire company can act in accordance with the social responsibilities and labor conditions related to labor rights. All personnel rules are formulated in accordance with relevant government labor laws. All employees are treated equally within the Company. The Company is also committed to ensuring the right to work of every	(I) No major difference

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
			employee and focusing on talent cultivation, so that employees have the opportunity to give full play to their abilities.	
(II) Does the company establish and offer proper employee benefits (including compensation, leave, and other benefits) and reflect the business performance results in employee compensation appropriately?	V		(II) The Company’s relevant employee welfare measures (including salary, vacation and other benefits) are all in compliance with laws and regulations. The Company allocates employee remuneration using the current year’s profit in accordance with the Company’s Articles of Association, and issues employee performance appraisal management regulations in conjunction with employee performance.	(II) No major difference
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V		(III) 1. In order to strengthen safety and health, the Company has set up a labor safety and health office, which is responsible for safety and health matters. It routinely strengthens employee education, drills, and occupational disaster training, so that employees have safety and health knowledge and skilled work skills, so as to avoid public security accidents and ensure safety of personnel and property. In 2022, a total of 107 employees held work safety professional certificates. 2. In accordance with the Occupational Safety and Health Act, the Company provides on-the-spot health services for specially appointed doctors and nurses in the workplace, and employs on-site nurses to handle labor health protection matters such as health management, occupational disease prevention and	(III) No major difference

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V		<p>health promotion, assist in promoting labor health protection work, create a healthy and friendly workplace environment, and organize health promotion activities, with 787 employees participating in 2022.</p> <p>3. In 2022, a total of 5 employee occupational accidents (excluding traffic occupational accidents) occurred, 5 people were injured and 0 people died, accounting for 0.74% of the total employees</p> <p>The Company conducted accident investigations immediately after the accidents to clarify the cause of the accidents, formulated specific improvement measures, and convened other relevant departments to jointly review if necessary. In each case, immediate improvement and protection are made from the basic cause, then the indirect cause is discussed and improved, and an “incident investigation report form” is made. At the same time, the case will be used to re-publish and publicize the hazards and precautions in the workplace.</p> <p>4. The company arranges general safety and hygiene education and training for new recruits for 3hrs; upon entering a section-level division, an additional 3hrs of work safety training in the unit is arranged. Three hours will be added respectively for those who operate productive machinery or equipment or oxygen deficiency/electric welding works; three additional</p>	(III) No major difference

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	V		hours will be added for those who manufacture, dispose of, or use hazardous chemicals. The total number of workers in work safety trainings of the Company in 2022 is 433, and the total training time is up to 866 hours	(III) No major difference
(IV) Does the company provide effective career development and training plans for its employees?	V		(IV) To enhance its overall competitiveness and increase the work skills of employees, the Company achieves systematic improvement and growth in cooperation with relevant education and training plans.	(IV) No major difference
(V) Does the company comply with relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services, and does the company establish related consumer protection policies and grievance procedures?	V		(V) The Company provides transparent, privacy-protected and effective consumer complaint procedures for products and services, and lists them as key internal quality indicators to protect the rights and interests of consumers. Stakeholders can also contact the company through the “Contact Us” area set up on the Company's website or through phone, fax, or mailbox, and it will be handled by a dedicated person to protect consumer rights The Company has obtained the certifications of AS9100D and ISO9001:2015.	(V) No major difference
(VI) Does the company formulate a supplier management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, labor rights, and supervised the compliance?	V		(VI) The company has formulated and provided suppliers with “Lee Chi Supplier Requirements”, clearly requiring suppliers to comply with quality, environment, occupational safety, health and other specifications, etc., and regularly (monthly) implement supplier assessments When necessary, quality assurance personnel conduct supplier counseling to improve. The Company trades with hundreds of suppliers to promote local economic development and has made significant contributions to	(VI) No major difference

Assessment item	Implementation Status (Note 1)			Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description (Note 2)	
			social development for a long time.	
V. Does the company prepare and publish non-financial reports such as the sustainable development report in reference to internationally recognized reporting principles or guidelines? Are such reports verified or assured by a third party accreditation institution?		V	The Company is currently preparing a sustainability report in accordance with the GRI standards which is expected to be completed in September 2023, and plans to obtain a guarantee opinion of a third-party verification unit upon completion.	The Company will discuss to prepare a sustainability report
<p>VI. Where the company has adopted its own best practices on sustainable development according to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual activities undertaken by the company: The Company has discussed and drafted a code of practice for sustainable development, and actively implemented various sustainable development measures according to the actual needs of the Company.</p>				
<p>VII. Any important information useful for understanding the state of sustainable development implementations:</p> <ol style="list-style-type: none"> 1. The Company pays much attention to the maintenance of community relations, and has long-term good contacts with Shipai and Kuaiguan communities, where it is located. In addition to donating to community activities, in recent years, it has adopted road cleaning and Shipai Park in the community, and has invested in manpower for cleaning and maintenance to provide the community residents with a good recreational environment. 2. Health promoting activities: In 2023, The Company promoted “Health Information” for employees monthly, and organized health promotion activities such as “Government funded influenza vaccinations”, “I drink to protect my health”, “AED + Basic CPR trainings” and blood donation charity activities, etc., with 787 employees participating. 3. Sponsoring schools and communities: The Company sponsored talent groups and LED caption machines of Shipai Elementary School, scholarships for Chienkuo Technology University, fixed-point shared meals and year-end parties for Shipai Community, etc. 				

Note 1: If “Yes” is checked for the Implementation Status, please describe the important policies, strategies and measures taken and the implementation status; if check “No” is checked for the Implementation Status, please explain the reasons and describe the relevant policies, strategies and plans or measures to be taken in the future in the “Differences with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons” column.

Note 2: The materiality principle refers to a significant impact of relevant environmental, social and corporate governance issues on the Company’s investors and other interested parties.

(VI) Performance in Ethical Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons Thereof:

Assessment item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>I. Formulate ethical corporate management best practice policies and plans</p> <p>(I) Does the company establish the ethical corporate management policies approved by the board of director and specify rules and activities related to ethical corporate management in its bylaws and external documents? Do the company's Directors and management actively fulfill their commitment to corporate policies?</p> <p>(II) Does the company establish a risk assessment mechanism against unethical conduct? Does the company, on a regular basis, analyze and assess business activities within its business scope which are at a higher risk of being involved in unethical conduct? Does the company put in place preventive programs for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>(I) The Company's Board of Directors has formulated the Ethical Corporate Management Best Practice Principles and announced it on the MOPS and its official website, and actively implemented the policy related to ethical corporate management to prevent the occurrence of dishonest behaviors in order to create a good and sustainable business environment.</p> <p>(II) The Company clearly stipulates in the work rules and personnel management regulations related to employee rewards and punishments that all employees should promptly notify the management when they discover violations of policies and ethics.</p>	<p>(I) No major difference</p> <p>(II) No major difference</p>

Assessment item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the Company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system? Does the Company implement such programs and review the prevention programs on a regular basis?	V		(III) In the Company, the Legal Affairs Section organizes the signing of contracts to prevent the signed content from being illegal, and the Auditing Office conducts inspections from time to time.	(III) No major difference
II. Implementing ethical corporate management (I) Does the company evaluate ethical records of its counterparty? Do the contracts signed by the Company and its trading counterparties clearly provide terms on ethical conduct?	V		(I) For commercial activities, the Business Department conducts customer review and evaluation, the Procurement Division and the Quality Assurance Division are responsible for supplier evaluation, and the Legal Affairs Section reviews the terms of the signed contract to avoid making transactions with people with records of dishonest behaviors. In addition, the Company clearly stipulates in the work rules and personnel management regulations related to employee rewards and punishments that, when performing business, employees shall not provide, accept or require valuable gifts, and that no suppliers shall accept gifts or receive kickbacks and are not allowed to carry out transactions with related parties. If there is a violation, the transaction will be suspended in order to seek the most reasonable price, the best quality and the best service.	(I) No major difference

Assessment item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(II) Does the company establish an exclusively (or concurrently) dedicated unit to promote ethical corporate management and to answer to the Board of Directors? Does such unit regularly (at least once a year) report to the Board of Directors on the monitoring and implementation of its ethical corporate management policies and prevention measures of unethical behaviors?	V		(II) The Company has always operated in good faith, established a good corporate governance system for the Board of Directors, improved supervision functions and strengthened management functions, and formulated the Rules of Procedure for Board of Directors Meetings in accordance with regulations to facilitate compliance. The integrity management promotion team is formed by the relevant departments, responsible for the promotion of the integrity management policy and prevention plan. The team reports its operation and implementation status to the Board of Directors regularly (at least once a year) so as to fulfill the monitoring responsibility of ethical corporate management. Implementation status of 2022: includes continuous education and training and legal compliance promotion, strengthening the prevention of prohibition of insider trading, regular inspection, etc.	(II) No major difference
(III) Does the company establish policies preventing conflict of interest, provide proper channels of appeal, and enforce these policies accordingly?	V		(III) The relevant internal management regulations of the Company are published on the Company's internal website, and colleagues will be notified when they are revised. In addition, the Company's Rules of Procedure for Board of Directors Meetings has a system for avoiding the interests of directors. If the meeting matters have an interest with directors themselves or the legal person they represent and this is likely to be harmful to the interests of	(III) No major difference

Assessment item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the company establish policies preventing conflict of interest, provide proper channels of appeal, and enforce these policies accordingly?	V		<p>the Company, they must state their opinions and answer inquiries, shall not participate in discussion and voting, shall evade during discussion and voting, and may not act for other directors to exercise their voting rights.</p> <p>The Company has set up the “Management Procedures for the Processing of Internal Significant Information and Prevention of Insider Transactions”, which stipulate that the directors, supervisors, managerial officers and employees of the Company shall not disclose material internal information that they are aware of to others, and shall not inquire or collect undisclosed major internal information of the Company that is not related to personal duties from persons who are aware of major internal information of the Company.</p>	(III) No major difference
(IV) Does the company establish effective accounting systems and internal control systems to enforce ethical corporate management? Does its internal audit department, based on the results of risk assessment on unethical conducts, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a CPA to conduct the audit?	V		<p>(IV) The Company has established an effective accounting system and internal control system, and formulated relevant operating methods. It can review and revise them at any time according to laws and regulations or actual operating requirements.</p> <p>The Company’s managerial officers, internal units, subsidiaries and audit departments shall conduct self-inspection of the internal control system at least once a year and prepare a report to ensure that the self-inspection of the internal control system is carried out.</p> <p>According to the annual audit plan approved by the Board of Directors, the audit department actually performs the audit</p>	(IV) No major difference

Assessment item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(IV) Does the company establish effective accounting systems and internal control systems to enforce ethical corporate management? Does its internal audit department, based on the results of risk assessment on unethical conducts, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a CPA to conduct the audit?	V		work. The audit supervisor sends a report to be reviewed by the audit committee in the month following the completion of the audit project (or tracking project), attends the Board of Directors to report the audit business, and regularly reports to the audit committee the annual audit business and annual self-inspection and internal control operations.	(IV) No major difference
(V) Does the company regularly organize internal and external trainings for ethical corporate management?	V		(V) The Company cooperates with internal and external training held from time to time to promote and implement relevant laws and regulations on ethical corporate management.	(V) No major difference
III. Operation status of a whistleblowing system				
(I) Does the company adopt concrete a whistleblowing and reward system and accessible whistleblowing channels, and does the company assign suitable and dedicated personnel for the cases exposed by the whistleblowers?	V		(I) There are multiple reporting and appeal channels, such as emails, employee suggestion boxes, appeal channels, etc. and related disciplinary measures. They are reviewed and revised from time to time to create an effective and sufficient channel for communication of opinions, so that any problems can be communicated quickly and solved effectively.	(I) No major difference
(II) Has the Company established standard operating procedures for investigating the complaints received, actions to be taken upon the completion of investigation, and mechanisms for confidentiality?	V		(II) The Company accepts the investigation of complaints received and cooperates with relevant mechanisms for confidentiality.	(II) No major difference

Assessment item	Implementation Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
(III) Does the Company adopt protection measures against inappropriate disciplinary action on the whistleblowers?	V		(III) The Company takes protection measures against inappropriate disciplinary action on whistleblowers.	(III) No major difference
IV. Enhance information disclosure Does the company disclose the content of its best practices on ethical corporate management and the effectiveness of its activities on its official website or MOPS?	V		The Company announces various financial and business information on the public information observatories and the Company's website to improve the transparency of the Company's operations. The responsible departments are in charge of collecting, revealing and updating regularly relevant content and promoting effectiveness, to facilitate the accuracy of information disclosure.	No major difference
V. Where the company has formulated its own best practices on ethical corporate management in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the prescribed best practices and actual action taken by the company: The Company has formulated the Ethical Corporate Management Best Practice Principles, complies with domestic laws and regulations, requires employees to abide by relevant audit, internal control and related internal management regulations, and strengthens implementation in accordance with the company's current situation and laws and regulations.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management: (e.g., review of and amendments to ethical corporate management policies) The Company always pays attention to the development of relevant standards for ethical corporate management at home and abroad, and reviews and improves the Company's ethical corporate management policies to enhance the effectiveness of the Company's ethical corporate management.				

Note 1: Whether the implementation status is checked "Yes" or "No", it should be stated in the summary description column.

(VII) If the Company has established the Corporate Governance Best Practice Principles and relevant regulations, it should disclose the inquiry method:

1. The Company has established the Corporate Governance Best Practice Principles and related regulations below and disclosed them on the Market Observation Post System and the Company's website:

- (1) Organizational structure for corporate governance
- (2) Articles of Incorporation
- (3) Code of Ethical Conduct
- (4) Ethical Corporate Management Best Practice Principles
- (5) Procedures for Acquisition or Disposal of Assets
- (6) Operating Procedures of Funds Lending to Others
- (7) Operating Procedures for Endorsement and Guarantee
- (8) Rules of Procedure for Shareholders' Meetings
- (9) Rules of Procedure for Board of Directors Meetings
- (10) Remuneration Committee Charter
- (11) Rules for Election of Directors
- (12) Procedures for Handling Material Inside Information and Preventing Insider Trading
- (13) Board performance evaluation procedures
- (14) Standard Operating Procedure for Handling Directors' Requests
- (15) Procedural Rules for Any Unethical Acts Including Breach of Ethics, Illegal Acts, or Breach of Fiduciary Duty

(VIII) Other information enabling better understanding of the Company's corporate governance:

These principles have been disclosed through the Company's website and the Market Observation Post System (MOPS).

1. Operating Procedures for Handling Internal Material Information of the Company:

- (1) The Company has established the Operating Procedures for Handling Internal Material Information, which specifies the handling and disclosure mechanism for the internal material information of the Company and serves as the basis for observation, implementation and cooperation by all employees, managers, directors and supervisors

of the Company.

(2)The Company annually forwards the promotional manual of the Insiders' Equity Trading by Listed Company issued by Taiwan Stock Exchange to insiders and reiterates relevant laws they should cooperate to obey.

2. Status of licenses required by competent authorities held by personnel of the Company involved in the transparency of financial information:

CPA, Republic of China: 1

3. Education and Training for Managers Involved in Corporate Governance

Continuing Studies of Directors and Managerial Officers in 2022

Title & Name	Date	Training Institution	Course Name	Duration
Chairman Lin, Yu-Hsin	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable & Transform to Net Zero Summit	3 hours
	2022.05.20	Securities & Futures Institute	2022 Seminar for the prevention of insider trading	3 hours
Vice President & Director Lin, Yi-Hsien	2022.01.14	Accounting Research and Development Foundation	Case Analysis of False Financial Reports and How to See the Key Information of Financial Reports	3 hours
	2022.01.17	Accounting Research and Development Foundation	Financial Report Review and Supervision Practices of Related Laws and Regulations and Common Deficiencies of Enterprises	6 hours
	2022.01.24	Accounting Research and Development Foundation	Related Legal Responsibilities and Case Analysis of Contests for Corporate Control	3 hours
	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable & Transform to Net Zero Summit	3 hours
	2022.09.22	Accounting Research and Development Foundation	Self-compilation of Financial Reports in Response to Practice: Reinvestment Using the Equity Method	3 hours

Title & Name	Date	Training Institution	Course Name	Duration
Vice President & Director Lin, Yi-Hsien	2022.09.22	Accounting Research and Development Foundation	Cases Analysis of Legal Liabilities of “Whistleblowers” in Economic Crimes and Financial Reporting Frauds	3 hours
	2022.09.23	Accounting Research and Development Foundation	ESG Sustainability Practice: How to Construct Culture and Make a Good Report	3 hours
	2022.09.23	Accounting Research and Development Foundation	Application of “Information Security” in Enterprises and Analysis of Legal Responsibilities	3 hours
Director Representative of Ko Fu Investment Co., Ltd.: Lin, Chung-Ying	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable & Transform to Net Zero Summit	3 hours
	2022.05.20	Securities & Futures Institute	2022 Seminar for the prevention of insider trading	3 hours
Director Representative of Ko Fu Investment Co., Ltd.: Chu, Ming-Yang	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable & Transform to Net Zero Summit	3 hours
	2022.05.20	Securities & Futures Institute	2022 Seminar for the prevention of insider trading	3 hours
Independent Director Chen, Kuei-Tuan	2022.05.23	Taiwan Corporate Governance Association	What Investors Are Thinking - A Talk About Corporate Sustainability Transformation From ESG Investment and Financing's Point of View	3 hours
	2022.09.07	The National Federation of CPA Associations of the R.O.C.	The Latest Trend of International Money Laundering Prevention	3 hours
	2022.10.06	Taiwan Stock Exchange	Release of Reference Guidelines for Independent Directors and Audit Committee to Exercising Powers and Directors and Supervisors Promotion Conference	3 hours

Title & Name	Date	Training Institution	Course Name	Duration
	2022.11.25	Taiwan Corporate Governance Association	How to Design Governance and Management so that Corporate Succession is no Longer an Obstacle to Sustainable Operations	3 hours
	2022.11.29	The National Federation of CPA Associations of the R.O.C.	Reopening of Administrative Procedures for Tax Cases	3 hours
	2022.12.21	The National Federation of CPA Associations of the R.O.C.	Communication with those Charged with Governance	3 hours
Independent Director Chen, Yung-Hsueh	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable & Transform to Net Zero Summit	3 hours
	2022.06.10	Securities & Futures Institute	2022 Seminar for the prevention of insider trading	3 hours
Independent Director Ma, Hui-Chen	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable & Transform to Net Zero Summit	3 hours
	2022.06.10	Securities & Futures Institute	2022 Seminar for the prevention of insider trading	3 hours

(IX) Internal Control System Execution Status:

1. Statement on Internal Control: (see page 69)
2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

Lee Chi Enterprises Co., Ltd.
Statement on Internal Control

Date: March 15, 2023

The Company hereby states the results of the self-evaluation of the internal control system for 2022 as follows:

- I. The Company understands that the Board and management of the Company are responsible for establishing, implementing and maintaining an adequate internal control system, and has already established such system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (herein below, the “Regulations”). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2022, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of the Company’s annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 15, 2023, and none of the seven Directors in attendance objected to it and all consented to the content expressed in this statement.

Lee Chi Enterprises Co., Ltd.

Chairman: Lin, Yu-Hsin

President: Lin, Yu-Hsin

(X) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, exerting a potential significant impact on shareholders' equity or the price of securities as a result, as well as details of the sanctions, major deficiencies and subsequent improvements: None.

(XI) Major Resolutions of Shareholders' Meeting and Board Meetings during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report:

1. Important Resolutions made by the 2022 Shareholders' Meeting and Implementation Status

Date	Important Resolutions made by the Shareholders' Meeting	Implementation Status
2022.06.23	Ratification Items 1. Ratification of the 2021 Business Report and Financial Statements 2. Ratification of the 2021 Earnings Distribution Proposal	The 2021 Earnings Distribution Proposal distributed cash dividend at NT\$0.80 per share with the ex-dividend date set at September 26, 2022, and the distribution was completed on October 14, 2022.

2. Important Reports or Resolutions of the Board of Directors

Date	The 14th Board of Directors - Important Reports or Resolutions
2022.03.24	1st Board Meeting for 2022 1. Ratification of purchase of liability insurance for directors. 2. Ratification of the report on the results of the performance evaluation for the Board of Directors for 2021 (including the Board of Directors, individual directors and functional committees). 3. Approved the notes on the Company's ability regarding the in-house preparation for financial reports. 4. Ratification of the report on the implementation of the intelligent property management for 2021. 5. Adopted the resolution on the short-term general credit line as well as derivative financial commodity trading credit granted by financial institutions. 6. Adopted the proposal to increase the line of credit for the Company's funds lending to its reinvested American subsidiary CGI. 7. Adopted the proposal to discuss and assess the independence and competency of the certifying CPAs appointed by the Company.

Date	The 14th Board of Directors - Important Reports or Resolutions
2022.03.24	<ol style="list-style-type: none"> 8. Adopted the proposal to appoint the certifying CPAs of the Company. 9. Adopted the 2021 remuneration of directors and compensation of employees of the Company. 10. Adopted the proposal to accept the 2021 Consolidated and Parent Company Only Financial Statements and Business Report. 11. Adopted the Company’s 2021 “Internal Control System Effectiveness Assessment” and the “Statement on Internal Control”. 12. Adopted the 2021 Earnings Distribution Proposal. 13. Adopted the 2022 Business Plan. 14. Adopted the amendment of the Company’s “Procedures for Acquisition or Disposal of Assets” 15. Adopted the proposal to formulate plans associated with the 2022 Annual Shareholders’ Meeting.
2022.05.11	<p>2nd Board Meeting for 2022</p> <ol style="list-style-type: none"> 1. Ratification of the Company’s Q1 2022 Consolidated Financial Statements. 2. Adopted the proposal to increase the line of credit for the Company’s funds lending to its reinvested American subsidiary CGI. 3. Adopted the resolution on the short-term general credit line as well as hedging limit for financial commodity trading granted by financial institutions.
2022.08.09	<p>3rd Board Meeting for 2022</p> <ol style="list-style-type: none"> 1. Reported the relevant time schedule and progress in response to the planning of “Sustainable Development Roadmap for Listed Companies”. 2. In order to reduce the violations of insider equity transfer, informed the insiders of the common violations issued by the competent authority and urged them to handle the matters in accordance with the regulations. 3. Ratification of the Company’s Q2 2022 Consolidated Financial Statements. 4. Adopted the proposal to increase the line of credit for the Company’s funds lending to its reinvested American subsidiary CGI.
2022.11.08	<p>4th Board Meeting for 2022</p> <ol style="list-style-type: none"> 1. In order to reduce the violations of insider equity transfer, informed the insiders of the common violations issued by the competent authority and urged them to handle the matters in accordance with the regulations. 2. Adopted the proposal on replacement of CPAs since Q3 2022 in accordance with the internal rotation of the CPA firm 3. Ratification of the Company’s Q3 2022 Consolidated Financial Statements. 4. Adopted the proposal on the line of credit for the Company’s funds lending to the grandson company PROMAX (Kunshan) Co., Ltd.

Date	The 14th Board of Directors - Important Reports or Resolutions
2022.11.08	<ol style="list-style-type: none"> 5. Adopted the proposal to increase the line of credit for the Company's funds lending to its reinvested American subsidiary CGI. 6. Adopted the proposal on the Internal Audit Plan for 2023.
2022.12.21	<p>5th Board Meeting for 2022</p> <ol style="list-style-type: none"> 1. Ratification of the 2022 report on Implementation of Ethical Corporate Management. 2. Ratification of the 2022 Cyber Security Governance Report. 3. Ratification of the report on communication between the Company and its stakeholders for 2022. 4. Reported the relevant time schedule and progress in response to the planning of "Sustainable Development Roadmap for Listed Companies". 5. Reported the result of the meeting between the independent directors, CPAs and the chief internal auditor exclusively before the commencement of the Audit Committee on November 8, 2023. There were no opinions between the participants. 6. Adopted the 2021 remunerations to the managers and employees and 2022 end-of-year bonus plan for the managers proposed by the Remuneration Committee and the Audit Committee. 7. Adopted the resolution on the short-term general credit line as well as derivative financial commodity trading credit granted by financial institutions. 8. Adopted the proposal to increase the line of credit for the Company's funds lending to the American subsidiary CGI. 9. Adopted the proposal to increase the capital of the Company's American subsidiary CGI. 10. Adopted the amendment of the Company's "Procedures for Handling Material Inside Information and Preventing Insider Trading" and "Rules of Procedure for Board of Directors Meetings".
2023.03.15	<p>1st Board Meeting for 2023</p> <ol style="list-style-type: none"> 1. Approved the notes on the Company's ability regarding the in-house preparation for financial reports. 2. Ratification of purchase of liability insurance for directors. 3. Ratification of the report on the results of the performance evaluation for the Board for 2022 (including the Board of Directors, individual directors and functional committees). 4. Ratification of the report on the implementation of the intellectual property management for 2022. 5. Reported the relevant time schedule and progress in response to the planning of

Date	The 14th Board of Directors - Important Reports or Resolutions
2023.03.15	<p>“Sustainable Development Roadmap for Listed Companies”.</p> <ol style="list-style-type: none"> 6. Adopted the proposal to increase the line of credit for the Company’s funds lending to its reinvested American subsidiary CGI and the proposal that if the accounts receivable from the American subsidiary fall overdue after the normal credit term expires, the accounts shall be considered as financing. 7. Adopted the proposal to discuss and assess the independence and competency of the certifying CPAs appointed by the Company. 8. Adopted the proposal to appoint the certifying CPAs of the Company. 9. Adopted the 2022 remuneration of directors and compensation of employees of the Company. 10. Adopted the proposal to accept the 2022 Consolidated and Parent Company Only Financial Statements and Business Report. 11. Adopted the Company’s 2022 “Internal Control System Effectiveness Assessment” and the “Statement on Internal Control”. 12. Adopted the 2022 Earnings Distribution Proposal. 13. Adopted the 2023 Business Plan. 14. Adopted the proposal to formulate plans associated with the 2023 Annual Shareholders’ Meeting. 15. Adopted the proposal to elect all directors. 16. Adopted the proposal to release newly-elected directors or their representatives from non-competition restrictions.
2023.05.11	<p>2nd Board Meeting for 2023</p> <ol style="list-style-type: none"> 1. Ratification of the Company’s Q1 2023 Consolidated Financial Statements. 2. Adopted the proposal to increase the line of credit for the Company’s funds lending to its reinvested American subsidiary CGI and the proposal that if the accounts receivable from the American subsidiary fall overdue after the normal credit term expires, the accounts shall be considered as financing. 3. Adopted the resolution on the short-term general credit line as well as hedging limit for financial commodity trading granted by financial institutions.

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None

(XIII) Resignation or dismissal of the Company’s key individuals, including the chairman, president, heads of accounting, finance, internal audit, and R&D during the most recent year and up to the date of publication of this annual report: None

V. Information on certifying CPA professional fees

(I) Range of CPA professional fees

Unit: NT\$1,000

Name of CPA Firm	Name of the CPA		Audit Period	Audit Fees	Non-audit Fees	Total	Note
Deloitte & Touche	Yang, Chi-Sheng	Su, Ting-Chien	2022 Q1~Q2 quarterly financial statements	2,630	380	3,010	In accordance with the internal rotation of the CPA firm
	Liu, Li-Wei	Su, Ting-Chien	2022 Q3 quarterly financial statements and 2022 annual financial statements				

(II) Please verify the contents of non-audit fees: Tax compliance audit and agreed-upon procedures amounting to NT\$380 thousand.

(III) The facts of changing the CPA Firm and the CPA fee paid in the year of change decreased from the preceding year: Not applicable.

(IV) Decrease of CPA fee by more than 10% compared with that in the preceding year: Not applicable.

VI. Information on replacement of CPAs:

(I) Former CPAs

Date of Change	October 07, 2022		
Reasons and Explanation of Changes	In accordance with the internal rotation of the CPA firm		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Party	CPA	Client
	Status		
	Appointment terminated automatically	Not applicable	Not applicable
	Appointment rejected (discontinued)	Not applicable	Not applicable
The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	Not applicable		
Is There Any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	✓	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.5.1.4 of the Standards)	Not applicable		

(II) Successor CPAs

Accounting Firm	Deloitte & Touche
CPA	Liu, Li-Wei and Su, Ting-Chien
Date of Engagement	October 07, 2022
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Not applicable
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	Not applicable

The reply of former CPAs on Article 10.5.1 and Article 10.5.2.3 of the Standards: Not applicable

VII. The Company’s Chairman, President, manager in charge of financial or accounting affairs who have been employed in the firm that the certifying CPAs work for or its affiliated enterprises in the most recent year: None.

VIII. In the most recent year and as of the date of publication of the annual report, the status of the transfer of shares of directors, supervisors, managers and shareholders whose shareholding ratio exceeds 10% and changes in share pledge:

Changes in Shareholding of Directors, Supervisors, Managers and Principal Shareholders

Title	Name	2022		For the Current Fiscal Year as of April 23, 2023	
		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 pledged shares
Chairman President	Lin, Yu-Hsin	130,000	0	0	0
Director Vice President	Lin, Yi-Hsien	0	0	0	0
Director	Ko Fu Investment Co., Ltd.	0	0	0	0
	Representative: Lin, Chung-Ying	0	0	0	0
Director Senior Manager	Ko Fu Investment Co., Ltd.	0	0	0	0
	Representative: Chu, Ming-Yang	0	0	0	0
Independent Director	Chen, Kuei-Tuan	0	0	0	0
Independent Director	Chen, Yung-Hsueh	0	0	0	0
Independent Director	Ma, Hui-Chen	0	0	0	0

(I) Stock transfers with related parties: None

(II) Stock pledges with related parties: None.

IX. Relationship information, if among the Company's 10 largest shareholders any one is a related party, a spouse, or a relative within the second degree of kinship of another

Name (Note 1)	Shareholding in person		Spouse & Minor Shareholding		Shareholding in Nominee		Designation or name and relationship, if anyone among the Company's 10 largest shareholders is a related party, a spouse, or a relative within the second degree of kinship of another. (Note 3)		Note
	Shares	%	Shares	%	Shares	%	Designation (or name)	Relationship	
Special property account of Ye-Jung Lee trusted with UBS Taipei Branch	22,274,684	9.87%	0	0	0	0	-	-	-
Lee Wong Investment Co., Ltd. Representative: Lin, Yu-Sheng	22,047,000	9.77%	0	0	0	0	Lin, Yi-Hsien Lin, Chung-Ying Lin, Yu-Hsin	Sister and brother Sister and brother Brothers	-
Lin, Yu-Hsin	13,298,760	5.89%	0	0	1,407,000	0.62%	Lin, Yi-Hsien Lin, Chung-Ying Lin, Yu-Sheng	Sister and brother Sister and brother Brothers	-
Lin, Yu-Sheng	9,542,375	4.23%	0	0	0	0	Lin, Yi-Hsien Lin, Chung-Ying Lin, Yu-Hsin	Sister and brother Sister and brother Brothers	-
Lin, Yi-Hsien	9,190,036	4.07%	0	0	0	0	Lin, Chung-Ying Lin, Yu-Sheng Lin, Yu-Hsin	Sisters Sister and brother Sister and brother	-
Lin, Chung-Ying	9,009,127	3.99%	0	0	0	0	Lin, Yi-Hsien Lin, Yu-Sheng Lin, Yu-Hsin	Sisters Sister and brother Sister and brother	-
Ko Fu Investment Co., Ltd. Representative: Lin, Yu-Hsin	1,407,000	0.62%	0	0	0	0	Lin, Yi-Hsien Lin, Chung-Ying Lin, Yu-Hsin	Sister and brother Sister and brother Brothers	-
Lai, Ming-Cheng	1,406,000	0.62%	0	0	0	0	Lai, Jun-Hong	Brothers	-
Lai, Jun-Hong	1,398,718	0.62%	0	0	0	0	Lai, Ming-Cheng	Brothers	-
Lin, Zhi-Guan	1,242,211	0.55%	69,788	0.03%	0	0	-	-	-

Note 1: All the top ten shareholders should be listed. If they are legal person shareholders, the names of the legal person shareholders and the names of their representatives shall be disclosed separately.

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

Note 3: The shareholders listed in the previous disclosure, including legal persons and natural persons, shall disclose their relationship in accordance with the issuer's financial report preparation standards.

X. The total number of shares and total equity stake held in any single enterprise by the Company, its directors, supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company

Unit: Thousand shares; %

Investee	Held by The Company		Directors, supervisors, managerial officers and investment of direct or indirect control of companies		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
Lee Chi International Holding Limited (B.V.I) (Note)	23,500	100%	0	0	23,500	100%
Chief Venture Capital Corporation (Note)	11,000	55%	3,500	17.50%	14,500	72.50%
THE Cycle Group, Inc.(Note)	4,000	100%	0	0	4,000	100%

Note: It is a long-term investment of the Company accounted for under the equity method.

Chapter IV. Information on Capital Raising Activities

I. The Company's capital and shares

(I) Sources of capital

(Unit: NT\$; Thousand shares)

Year/ Month	Issue price per share (NTD)	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Source of equity	Those who use property other than cash to take out the share price	Other
1973.05	1000	0.4	400	0.4	400	Cash creation share capital	None	None
1979.06	1000	1	1,000	1	1,000	Cash increase	None	None
1981.07	1000	5	5,000	5	5,000	Cash increase	None	None
1986.03	1000	35	35,000	35	35,000	Cash increase	None	None
1989.12	10	10,000	100,000	10,000	100,000	Cash increase	None	None
1991.01	10	19,900	199,000	19,900	199,000	Cash increase	None	None
1992.12	10	42,000	420,000	40,049	400,490	NT\$101,490 thousand capital increase by retained earnings and NT\$100,000 thousand cash increase	None	None
1995.02	10	50,000	500,000	44,454	444,544	NT\$44,053,900 capital increase by retained earnings	None	None
1995.11	10	51,123	511,225	51,123	511,225	NT\$66,681,590 capital increase by retained earnings	None	None
1996.09	10	110,000	1,100,000	66,459	664,593	NT\$153,368 thousand capital increase by retained earnings	None	None
1997.01	10	110,000	1,100,000	80,000	800,000	New shares issued for cash NT\$135,407 thousands	None	None
1997.09	10	110,000	1,100,000	100,800	1,008,000	NT\$208,000 capital increase by retained earnings	None	None
1998.02	10	110,000	1,100,000	110,000	1,100,000	Cash increase NT\$92,000 thousand	None	None
1998.09	10	219,000	2,190,000	152,350	1,523,500	NT\$313,500 thousand capital increase by retained earnings and NT\$110,000 thousand capital increase by capital reserve	None	None
1999.08	10	219,000	2,190,000	210,243	2,102,430	NT\$396,110 thousand capital increase by retained earnings and NT\$182,820 thousand capital increase by capital reserve	None	None
2000.08	10	231,267	2,312,673	231,267	2,312,673	NT\$210,243 thousand capital increase by retained earnings	None	None
2005.09	10	236,824	2,368,240	236,824	2,368,240	NT\$55,567 thousand capital increase by retained earnings	None	None
2007.10	10	236,824	2,368,240	227,825	2,278,250	Cancellation of treasury shares NT\$89,990 thousand	None	None
2022.03	10	236,824	2,368,240	225,685	2,256,850	Cancellation of treasury shares NT\$21,400 thousand	None	None

April 23, 2023 Unit: Thousand shares

Type of shares	Authorized Capital			Note
	Shares outstanding (listed)	Unissued Shares	Total	
Registered common shares	225,685	11,139	236,824	None

Information on shelf registration: None.

(II) Shareholder Structure

April 23, 2023

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other legal persons	Foreign Institutions and Natural Persons	Domestic Individuals	Total
Number of Shareholders	0	6	136	62	41,075	41,279
Total Shares Owned	0	22,383,939	26,630,051	4,239,730	172,431,287	225,685,007
%	0.00%	9.92%	11.80%	1.88%	76.40%	100.00%

(III) Distribution of shareholding

Ordinary shares

April 23, 2023

Shareholding Range	Number of Shareholders	Total Shares Owned	%
1 - 999	19,451	1,487,583	0.66%
1,000 - 5,000	17,278	37,131,858	16.45%
5,001 - 10,000	2,621	21,500,386	9.53%
10,001 - 15,000	659	8,450,697	3.74%
15,001 - 20,000	446	8,412,570	3.73%
20,001 - 30,000	331	8,724,704	3.87%
30,001 - 40,000	147	5,403,929	2.39%
40,001 - 50,000	85	4,042,736	1.79%
50,001 - 100,000	146	10,120,363	4.48%
100,001 - 200,000	57	7,836,152	3.47%
200,001 - 400,000	32	9,109,472	4.04%
400,001 - 600,000	8	3,679,843	1.63%
600,001 - 800,000	2	1,437,000	0.64%
800,001 - 1,000,000	1	881,022	0.39%
1,000,001 or more	15	97,466,692	43.19%
Total	41,279	225,685,007	100.00%

Shareholding distribution status of preferred share: None

(IV) List of Principal Shareholders

April 23, 2023

Shareholding Name of major shareholder	Total Shares Owned	%
Special property account of Ye-Jung Lee trusted with UBS Taipei Branch	22,274,684	9.87%
Lee Wong Investment Co., Ltd.	22,047,000	9.77%
Lin, Yu-Hsin	13,298,760	5.89%
Lin, Yu-Sheng	9,542,375	4.23%
Lin, Yi-Hsien	9,190,036	4.07%
Lin, Chung-Ying	9,009,127	3.99%
Ko Fu Investment Co., Ltd.	1,407,000	0.62%
Lai, Ming-Cheng	1,406,000	0.62%
Lai, Jun-Hong	1,398,718	0.62%
Lin, Zhi-Guan	1,242,211	0.55%

(V) Information on market price, net worth, surplus and dividends of each share

Unit: NT\$ Thousand/Thousand Shares

Item		Year	2021	2022	For the Current Fiscal Year as of May 11, 2023 (Note 8)
Market price per share (Note 1)	The highest		35.5	28.3	21.25
	The lowest		12.3	19.85	18.25
	Average		25.45	23.75	20.10
Net value per share (Note 2)	Before distribution		16.37	18.17	18.22
	After distribution		15.57	Note 6	-
Earnings per share	Weighted average number of shares		223,300	223,300	223,300
	Earnings per share (Note 3)		2.0	2.55	0.01
Dividend per share	Cash dividend		0.8	0.9 (Note 6)	-
	Stock dividends	From earnings	-	-	-
		From capital surplus	-	-	-
	Accumulated unpaid dividends (Note 4)		-	Note 6	-
Return on investment analysis	Price/earnings ratio (Note 5)		12.11	9.18	-
	Price/dividend ratio (Note 6)		30.28	26.01 (Note 6)	-
	Cash dividend yield rate (Note 7)		3.3%	3.84% (Note 6)	-

*In the event that earnings or capital surplus is used for capital increase and allotment, the market price and cash dividend information adjusted retrospectively according to the number of shares issued should be disclosed.

Note 1: Please identify the highest and the lowest market prices of the common shares in various years, and calculate the average market price of each year based on the trading value and turnover of each year.

Note 2: Please fill in the information based on the number of issued shares at the end of the year and the distribution according to the resolution of the board of directors or the shareholders' meeting of the following year.

Note 3: If retrospective adjustment is required due to free allotment, etc., the earnings per share before and after adjustment shall be listed

Note 4: If the conditions for the issuance of equity securities stipulate that the unpaid dividends in the current year can be accumulated until the surplus is issued in the year, the accumulated unpaid dividends up to the current year shall be disclosed separately.

Note 5: Price/earnings ratio = Average closing price per share for the year/Earnings per share

Note 6: Price to dividend ratio = Average closing price per share for the year / cash dividend per share

Note 7: Cash Dividend Yield = cash dividends per share/average price per share for the year.

Note 8: Please identify the net worth per share and earnings per share available in the latest quarterly financial information reviewed by the independent auditors before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and Implementation Status

1. The Company's dividend policy:

- (1) If earnings are found after closing the fiscal year, the Company shall first pay income taxes and make up for any accumulated losses and then report 10% as statutory surplus reserve. However, when the statutory surplus reserve has reached the level of paid-in capital of the Company, the Company no longer has to report such reserve, and the rest could be reported or reversed into special surplus reserve. If undistributed earnings is still exist, it will be combined with accumulated undistributed earnings and the board will propose an earnings distribution motion and ask the shareholders' meeting to resolve the shareholders dividend proposal.
- (2) The Company's dividend policy shall be in line with its current and future development plan, take into consideration the investment environment, capital requirements, domestic and overseas competition, and the interests of shareholders. 6%-30% of distributable earnings may be distributed as dividend and bonus per year, in the form of cash or shares, and the cash dividend shall not be less than 10% of total dividend. However, stock dividend shall be distributed instead if cash dividend is less than NT\$0.5 per share.
- (3) However, the type and ratio of earnings distribution shall be adjusted based on the resolution adopted at the shareholders' meeting according to the actual profit and capital status of the Company for the current year.

2. Implementation status:

The Company's earnings distribution for the year 2021 was determined by the shareholders' meeting on June 23, 2022. The dividend per share was NT\$ 0.8, totaling NT\$178,640 thousand, and the distribution was completed on October 14, 2022.

The Company's earnings distribution for 2022 was proposed by the Board of Directors on March 15, 2023. The earnings will be available for distribution from 2022. Based on the 223,300,007 shares outstanding on the date of the board meeting, the dividend per share is NT\$0.9, totaling NT\$200,971 thousand. It will be finalized after the resolution of the shareholders' meeting. If the outstanding shares are affected by subsequent buy back of the Company's shares, transfer of treasury share, or exercising of stock options by employees, etc., resulting in changes in dividend distribution and the need to make adjustments, the Chairman may be authorized to handle the relevant adjustment matters.

3. Explanation on expected major changes in the dividend policy: None.

Lee Chi Enterprises Co., Ltd.
Earnings Distribution Table
2022

	Unit: NT\$
Unappropriated retained earnings, beginning balance	\$845,490,072
Add: Net profit after tax	568,712,451
Add: Remeasurement of defined benefit plans recognized in retained earnings	29,906,411
Add: Disposal of investments in equity instruments designated at fair value through other comprehensive income, cumulative gains or losses directly transferred to retained earnings	1,906,643
Less: Appropriation of legal reserve (10%)	(60,052,551)
Less: Special reserve set aside in accordance with the laws and regulations	(21,604,651)
Distributable earning	1,364,358,375
Less: Distribution items	
Cash dividends to shareholders (NT\$0.9/share)(*223,300,007 shares)	(200,970,006)
Unappropriated retained earnings, ending balance	\$1,163,388,369

Note:

1. Number of shares issued is 225,685,007. After deducting 2,385,000 of treasury share repurchased, the number of outstanding shares is 223,300,007 shares.
2. If the outstanding shares are affected by subsequent buy back of the Company's shares, transfer of treasury share, or exercising of stock options by employees, etc., resulting in changes in dividend distribution and the need to make adjustments, the chairman may be authorized to handle the relevant adjustment matters.
3. The Chairman may be authorized to set the dividend record date, allotment date and other related matters.
4. Earning from the most recent year shall first be distributed for the above earnings distribution.
5. The Company's cash dividend is rounded down to the nearest NT\$; and the total decimals dropped are accounted as the Company's other income.

Chairman:
Lin, Yu-Hsin

President:
Lin, Yu-Hsin

Accounting Manager:
Lin, Yi-Hsien

(VII) Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share: Not applicable

(VIII) Compensation to employees and remuneration to directors and supervisors:

1. Percentage or range of compensation to employees and remuneration to directors

stipulated in the articles of association: If the Company has gained profits within a fiscal year, 2% to 10% of the profits shall be reserved as the employees' compensation, and the Board of Directors shall decide whether to distribute in the form of shares or in cash. The compensation applies to employees of parents or subsidiaries of the Company meeting certain specific requirements. The Company may, upon resolution by the Board of Directors, reserve not more than 2% of the above profit as directors' remuneration. Proposals for the distribution of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting.

In case of accumulated loss, the Company shall reserve a specific amount to make up for losses before distributing employees' remuneration and directors' compensation according to aforementioned ratios.

2. The estimation basis of the estimated amount of compensation for employees and remuneration for directors in the current period, the calculation basis of the number of shares for the allotment of stock dividends, and the accounting treatment when the actual allotment amount is different from the estimated amount:

(1) The Company distributes employees and directors' remuneration in accordance with the current year's pre-tax benefits before deduction and the provisions of the articles of association. In 2022, the estimated employees' compensation was NT\$25,073,125 and directors' remuneration was NT\$3,318,502. Estimation was made based on the aforementioned pre-tax benefits, and these amounts were allotted in cash at the resolution of the Board of Directors on March 15, 2023.

(2) The Company did not estimate the allotted stock remuneration in 2022.

(3) Accounting treatment when there is a discrepancy between the actual allotment amount and the estimated amount:

If the amount of the annual consolidated financial report is still changed after the date of publication, it shall be treated according to the change in accounting estimates and adjusted and recorded in the next year.

3. Proposed employees' compensation and other information approved by the Board of Directors:

The Company's employees' compensation and directors' remuneration for the year 2022 were approved by the Board of Directors on March 15, 2023.

(1) Allotment of employees' cash compensation, stock compensation and directors' remuneration amount:

The estimated employees' compensation was NT\$25,073,125 and directors' remuneration was NT\$3,318,502.

(2) The differences between the amount of allotted employee cash compensation and the remuneration for directors and supervisors and the estimated amount of recognized expenses in 2022, the reason and the handling situation: No difference.

4. The actual distribution of compensation to employees and remuneration to directors and supervisors (including the number, amount, and share price of distributed shares) for the previous fiscal year, and any discrepancy from the recognized amount for these remunerations should be disclosed along with the differences, reasons and status:

In the year 2021, the employees' cash compensation was NT\$21,885,388, and directors' remuneration was NT\$2,879,656.

There is no difference between the actual distribution and the recognized number.

(IX) Share repurchases: None

II. Issuance of corporate bonds, preferred shares, global depository receipts, and employee stock warrants, new restricted employee shares, any merger and acquisition activities (including mergers, acquisitions, and demergers) and handling of shares transferred from other companies: None.

III. Status of implementation of capital allocation plans

(I) Contents of the plans: The previous issuances or private placement of securities have not been completed or have been completed in the last three years and the benefits of the plans have not yet appeared: None.

(II) Implementation status: Not applicable.

Chapter V. Operational Overview

I. Business activities:

(I) Business Scope:

1. Principal Businesses Activities:

- (1) Manufacturing, processing and trading of parts for automobiles, motorcycles and bicycles.
- (2) Manufacturing, processing, and trading of general machinery.
- (3) Surface treatment, manufacturing, processing and trading of metal products such as blasting and grinding (sandblasting treatment), surface polishing, electroplating, electrophoresis, anodizing, chemical conversion coating, anti-rust treatment, gloss finishing and surface coating, baking varnish, etc.
- (4) Intermediate service, mold wholesale, machinery wholesale, etc.
- (5) All business not prohibited or restricted by law, except for those subject to special approval.

2. Major products and proportions in business (consolidated):

Major product categories	Proportion in business %
Braking system	20.95
Seat post	18.77
Stem	17.36
Hub	5.63
Others	37.29
Total	100.00

3. New Products in Development: By cooperating with their own product development and aluminum alloy production technology, continue to develop products such as brakes, handles/seat risers, hubs/rims and various forged parts for bicycles, and expand the application to processing of related metal parts for automobiles and aerospace and carbon fiber products..

(II) Industry Overview:

1. Industry Situation and Development:

Our country has always been known as the “kingdom of bicycles”. The quality of exported bicycle products has been recognized internationally. Although in 2000, the pressure of rising production costs in Taiwan caused the supply chain to move out to the mainland, Southeast Asia and other emerging countries, significant results have been achieved in mastering key technologies and achieving independent supply of key components through the promotion of A-team and collaborative development with customers, the improvement of production technology, the division of labor between operations and production bases and other measures between industries, enabling the

industry cluster formed in Taiwan to play an important role in the global bicycle supply. How to continue to promote the upgrading of bicycle industry of our country and expand the market share of new products such as key parts of electric vehicles is the most important issue of the current industry.

Moreover, the bicycle industry in our country has always been export-oriented. Therefore, the prosperity and decline of the industry is deeply affected by the global economic cycle. After the financial turmoil in 2008, the recovery of the economic stimulus created the prosperity of the bicycle demand industry. From 2015, factors such as the impact of shared bicycles, tariff barriers in various countries, Sino-US trade disputes, and the loss of cost advantages of production bases in the mainland have caused the entire industry to suffer a greater impact. The solid operating structure accumulated by the bicycle industry for many years has ensured the stable operation. Despite the continuous huge impact to the global economy by COVID-19 epidemic in 2022, with governments of various countries continuing to introduce various subsidies and encouragement measures to promote epidemic prevention, bicycles have become the best solution for commuting and fitness exercise during the epidemic. After the epidemic, the demand in the consumer market has skyrocketed, creating a new normal for bicycle demand. In addition, the introduction of E-BIKE electric vehicles in recent years has brought a new wave of growth. As demand continues to grow in the future, the overall bicycle industry is expected to create prosperity successively.

2. The Relationship Between Up-, Mid-, and Down-stream Supply Chain Services:

Every bicycle needs to be assembled from the main and secondary parts such as the frame, front fork, transmission/shift, brake, handle/seat riser, etc. Each part is indispensable, and the bicycle industry can therefore be divided into finished bicycle industry and part industry. Because of the large number of parts, the characteristics of shall be collaborated between the industries so that a close supply relationship is established between upstream and downstream.

The bicycle part manufacturing industry covers metal, rubber, carbon fiber, electric control and other materials. Therefore, the technical development, market supply and market demand of the industry can drive the development of related fundamental industries and peripheral industries but are also interactively influenced by international material market, exchange rate, transportation and other factors.

3. Product Development Trends and Competition Landscape:

Product development trend: The use of bicycles will have different applications and different consumer preferences due to differences in regional, national and economic development. Therefore, consumers show a differentiated preference for the use of bicycle products. The differences in bicycle type demand and finished product unit price also affect the trend of product development and manufacturing. Currently, the design of bicycle products brings about corresponding bicycle types according to the needs of commuting, sports and leisure, competition and other functions. Furthermore, in response to the versatility and diversification, materials for the main parts shall be so used to satisfy the demand for robustness, durability, safety and light weight. The design also develops towards light weight, improved user experience, differentiation and

personalization of the overall product.

In addition, energy conservation, carbon reduction, and environmental protection have become a global trend. Regulations have been formulated successively in various countries to limit carbon emissions, encouraging bicycle riding and the establishment of special lanes for bicycles. Non-polluting and zero-carbon-emission bicycles have also become the best solution for urban commuting and tourism. A large number of riders have been cultivated, driving the continuous growth of bicycle demand. In recent years, under the policy to encourage the substitution of driving with bicycle commuting, electric bicycles equipped with power assistance are also sold well and have become the main products with the highest added value. As the industry pays more and more attention to the development and application of electric bicycles, and continues to launch new products, a new wave of buying demand has been also created.

As for the status of industrial competition: the bicycle industry in Taiwan has always focused on export sales. With the efforts of the entire industry, it has a leading international position in product design, quality and price competition, and enjoys a high market share. However, in terms of industrial competition, it needs the following breakthroughs: with regard to product sales, Taiwan has been unable to reach reciprocal tariff agreements due to delays in the negotiation of various bilateral or transnational free trade agreements, and the prevalence of trade protectionism in various countries, emphasizing local manufacturing, has caused Taiwan to be in an unfavorable situation in international industry competition in recent years, affecting the development of the future industry; in terms of product manufacturing, the layout of production bases was based on the model of taking orders in Taiwan and production in mainland in the past. Due to the rise of the red supply chain, mainland-owned factories have greatly increased investment in production capacity through national support and local competitive advantages, and overcapacity has made the industry increasingly competitive and affected the market layout. This makes Taiwan's bicycle industry, with most factories in the mainland, face many challenges. In addition, due to the impact of high tariffs under trade barriers, major customers have successively transferred the orders of export to the United States and the Europe to Taiwan or required the production in other Southeast Asian countries. In the follow-up industrial development, the first step is to adjust the constitution and upgrade the industry. In addition to increasing the expansion of the domestic market, the added value of the product itself must also be increased to open the competition gap through differentiation.

(III) Overview of Technologies and R&D Work:

1. R&D Expense

Period	Consolidated R&D Expense
2022	NT\$69,088 thousand
As of May 11, 2023	NT\$22,033 thousand

2. Technology and Products Successfully Developed

From January 2022 to the end of December 2022, the Company submitted a total of 5 patent applications and was awarded a total of 3 patent licenses and 5 trademark licenses. In 2022, the Company completed the development of a total of 51 products (including 5 seat post products, 6 seat tube products, 5 frame products, 4 rim products, 11 disc brake products, 14 hub products and 6 other products).

In view of the increasing demand for electric bicycles, the Company has invested in the research and development of parts related electric bicycles this year, including power-off handles, power-off hydraulic disc brakes, adjustable quick-release risers, etc., which have been adopted by customers. The promotion of its own PROMAX brand has also facilitated the launch of its own brand series products, including handles, risers, single-speed hubs, rims and other items.

In response to the evolution of light-weight materials used for bicycles, the Company will actively develop various light-weight products and accelerate the development of this product with the computer-aided FEA simulation in addition to the continuous investment in the use of new metals and composite materials.

3. Future research and development plan

- (1) In 2023, the Company expects to develop 1 caliper product, 1 handlebar product, 12 seat post products, 16 seat tube products, 6 disc brake products, 18 hub products, 5 seat clamp and quick release products, 10 rim products, 20 frame products and 10 other types of products, a total of 99 products. It is estimated that R&D expenses will be around NT\$80 million in 2023.
- (2) The Company will be actively dedicated to the research and development of relevant parts for hi-end electric bicycles such as serial oil pressure brake products with interruptible power supply that can increase the factor of brake safety, seat tube that allows the rider to adjust the handle bar height without using a tool and other relevant innovation products.
- (3) Due to the high demand for adjustable shock-absorbing seat risers in the market, the Company has actively launched the adjustable seat riser products of its own brand, and has also developed and set up special production lines in cooperation with customers.
- (4) By means of the accumulated solid forging and manufacturing capabilities, the Company actively improves the technology of pipe extrusion forging, and develops special production equipment to improve product yield.
- (5) Continuous cooperation with major customers and collaborative research and development of new product plans have diversified the Company's ability to

develop products and also accumulated the innovative research and development capabilities of its own products.

- (6) To support the application of aluminum alloy and electronic products to bicycle parts, the Company will seek the opportunity to conduct diversified operation and gradually step into different product fields.
- (7) Following the accumulated R&D and manufacturing technology for hub products, the Company will invest in hubs and rims that can be matched with various types of bicycles.
- (8) The Company will develop new hydraulic brake products and high-performance brake rubber so that brake products can attack higher-end markets.
- (9) The Company will continue to strengthen CAE, utilize the computer-aided FEA simulation analysis technology effectively to speed up product development and fulfill the pursuit in lighter weights.
- (10) The Company will continue to conduct product R&D and technical cooperation projects with various research institutions and universities to strengthen the basic energy of product design.

(IV) Long Term and Short Term Business Development Plans:

1. Short-term Business Development Plans:

With the trend of globalization, competition among industries has intensified, and market expansion is required to maintain flexibility and be able to adjust strategies immediately. The Company's short-term plan is as follows:

- (1) On the basis of existing business and production technology, the Company continuously develops products for all series and develops sales models which are suitable to different local markets.
- (2) Promoting production process rationalization and flexibility to harmonize the production and distribution and to reach the most profitable business scale; implementing the quality policy of "Continuous Innovation, Quality First" to achieve the goal of delivering top-quality products.
- (3) The Company will enlarge various material and service options and satisfy hi-end customary product demands of customers.

2. Long-term Business Development Plans:

- (1) Continuous double engine (brand + OEM) growth strategy: The Company will continuously improve its forging technology and high-quality productivity, focus on the design and manufacturing of high-price products under its own brand and enlarge the opportunity to manufacture hi-end precise products as the OEM.
- (2) The Company will actively invest in the development of new products, new materials and new processes, and in addition to the introduction of application of bicycle parts, expand their application to related products such as electric vehicles and automobiles, gradually expanding the proportion of sales to new businesses and new markets.
- (3) The Company will develop emerging markets and attack emerging markets such as India and Southeast Asian countries in response to the growth slowdown, growing

maturity of advanced process of local suppliers and hot-white competition over there. The Company will explore the possibility of autonomous manufacturing or cooperation in local markets, localize production and enlarge their vast domestic demand markets to ensure the growth drive.

II. Analysis of market and production and marketing situation:

(I) Analysis of Market

1. Sales regions of major products

The Company's main products include bicycle brake sets, seat risers, handlebars, hubs, rims, quick releases and forged parts, etc. The products are sold all over the world, mainly in the United States and Canada, the European Union, Central and South America and Japan. It also cooperates with domestic bicycle manufacturers and traders to expand sales and agency business in various emerging markets.

2. Market Share:

The Company has long-term cooperation with customers from various bicycle manufacturers and parts factories, and through its own brand marketing, has accumulated a large number of product users. Due to the diversified product categories, the Company can meet customer needs so that customers can carry out one-stop-purchase of most of the products. The Company is in the leading position in the industry in respect of production items and quantity of products.

3. Future Market Supply and Demand and Prospect:

The bicycle is a mature product that has been developed for more than a hundred years. As a necessity in human civilization, it is used in transportation, commuting, and cargo transportation. In the past, it was an important carrier. The product development over a century has also maintained a certain market demand. In recent years, with the concept of energy conservation and environmental protection, the emphasis on health and leisure, and government policy encouragement, more emerging riding populations have been created. The emphasis on vehicle performance and user experience has increased the added value to the industry and effectively boosted product unit prices and profitability. However, as the development of the industry has promoted successive expansion of production capacity and increased market price competition, the bicycle industry, highly dependent on exports, is currently continuing to work hard to effectively maintain market competitiveness, and further increase market demand and increase product added value. This is a direction for sustained efforts.

At present, the market is in a situation of insufficient inventory and short supply. With the strong purchase demand for electric bicycles and the explosive order growth due to the development of the pneumonia epidemic since 2020, the demand for mid-low end bicycle parts is also growing, and the growth of sales of high-profit electric bicycle parts has boosted the Company's operations and production capacity. At present, the Company is doing its best to respond by expanding production capacity to increase the satisfaction of customer orders.

4. Competitive Niches:

- (1) Integral research and development capacity: In addition to proprietary patent development, the Company also stands in a position to complete the integrated operation from mass production design, smooth production and delivery, thereby satisfying the customer demand.
- (2) Integral product lines: The Company provides customers with bicycle design recommendations and matches so that customers can leverage our integral product lines to complete consistent specification settings for finished bicycles.
- (3) Flexible production arrangement: The Company can support customers to complete mass production or low-volume production of multiple types worldwide.
- (4) Sound financial position: The Company provides customers with the delivery guarantee and complete product liability insurance so as to totally release customers from concerns on production line arrangement and product sales.
- (5) Quality assurance system: The Company can connect the quality system of customers at any time in addition to passing the ISO9001 certification. Besides, the Company provides the first-class service for customers visiting the plant. The Company achieves the task of quality assurance.

5. Positive and Negative Factors Relating to Future Development and Response Measures:

- (1) Advantages:
 - A. Global residents pay growing attention to environmental protection and the recreational sport style thrives, and many countries take such award measures as paving the exclusive bicycle lane and providing purchase subsidies. These factors have promoted a continuous increase in the population that uses bicycles. Therefore, the bicycle component market will also embrace an optimistic prospect with the continuous growth of the global bicycle market demand.
 - B. New technology and new product represent the prime driving force for an enterprise's development. Ever since the outset, the Company has dedicated itself to research and development. The Company has continuously devoted itself to the research and innovation of new materials, new products and new technologies, continuously improved the technical level and significantly increased added values of products. In recent years, the Company has been awarded the Foreign Trade Association Award and the Excellent Innovative Product Award repeatedly. Due to its excellent product quality, it has also won the cooperation and procurement of well-known leading manufacturers at home and abroad
 - C. In recent years, many world-renowned leading manufacturers have banded up with the Company to develop exclusive new products with high technical level and established exclusive product lines. This will further consolidate the Company's customer resources and our stable profitability and reinforce the reputation score and the marketing niche. Moreover, the private brand has gradually built an international brand image after years-long efforts.
 - D. With the management reform and upgrade, the Company's subsidiaries with investment in Mainland China focusing on manufacturing have experienced

transformation and achieved success in domestic and foreign sales, which has also positively improved the Company's profits.

(2) Responsive action for unfavorable factors:

- A. In recent years, the bicycle market has attracted much attention to its quick growth from different countries, more investing manufacturers in Mainland China, India and the emerging Southeast Asian countries have leveraged their cheap cost to attack the market, and the market competition tends to grow fiercer and fiercer.
- B. The soaring raw material prices in the international market and the continuous increase in various production costs have posed a pressure on the control of operating costs.
- C. European and American countries adopt dumping protection strategies for imported products, which in turn affect significant price fluctuations, delivering an unclear impact on the world economic situation and representing an indirect uncertain factor that can't be ignored. This will also affect the operating revenue of the Company to some extent.

To alleviate the impact from the aforesaid unfavorable factors, the Company will continuously promote automatic equipment to maintain the competitive edges. Moreover, the Company will actively develop new products with high added values to avoid the price competition and earn a bigger profit. In response to the cost impact from raw material prices, the Company has made moderate adjustment to prices to reduce the impact on profitability.

(II) Application and Manufacturing Processes for Main Products

1. Main product application:

Brake: Bicycle brake system

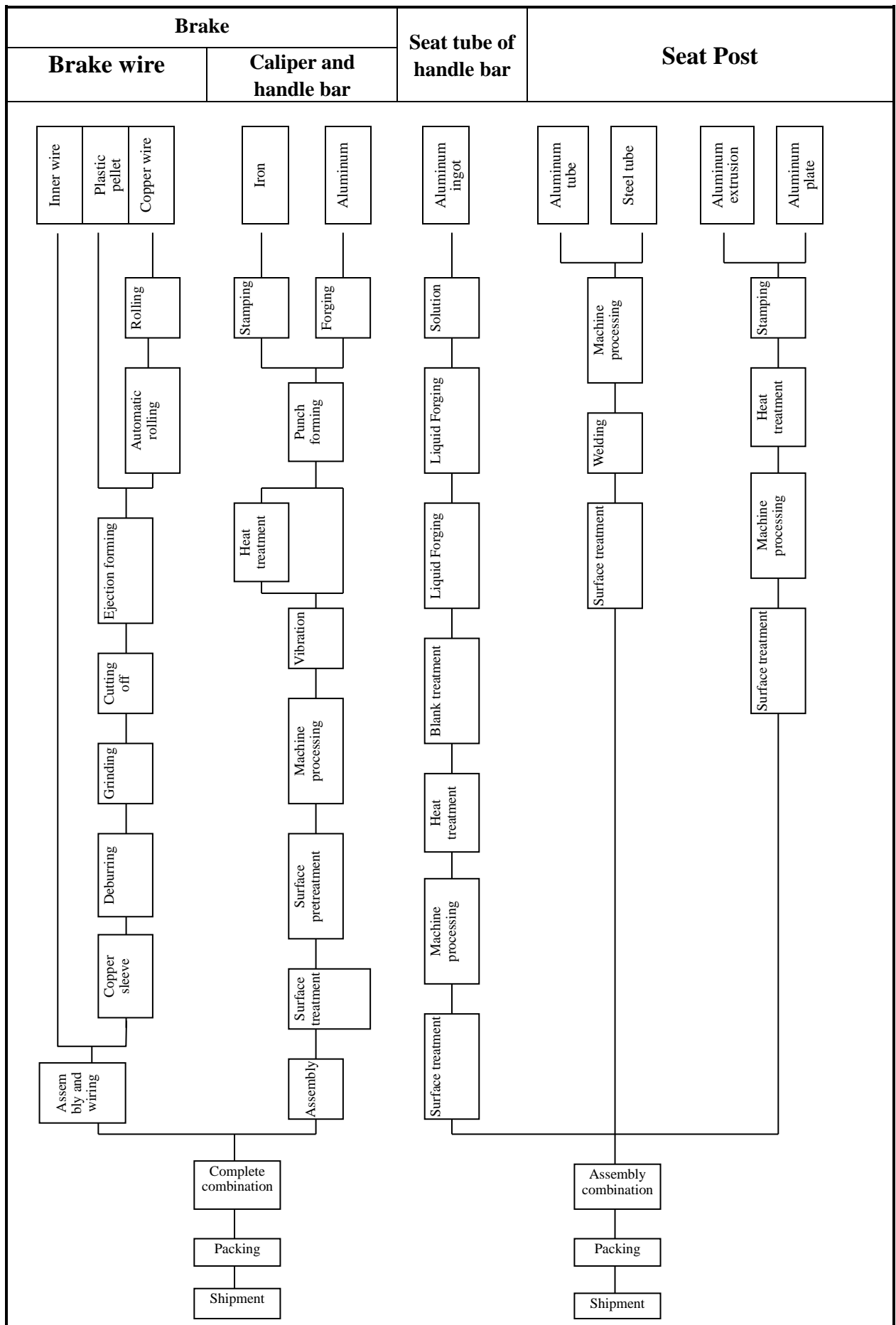
Seat post: A component supporting the seat cushion

Stem: A component connecting the handle bar and the front fork

2. Manufacturing Process: See next page

(III) Supply Situation for the Major Raw Materials

Major Raw Material	Source of Supply	Supply Situation
Iron	Supply from local manufacturers	Sufficient source of supply
Aluminum	Supply from local manufacturers	Sufficient source of supply
Aluminum ingot	US, UK, France and South Africa	Sufficient source of supply
Steel tube	Japanese and local manufacturers	Sufficient source of supply
Plastic pellet	Supply from local manufacturers	Sufficient source of supply



(IV) A list of suppliers (customers) that have accounted for more than 10% of the total purchases (sales) in any one of the last two years

1. Information of major suppliers in the last two years:

Consolidated data

Item	2021				2022				As of the first quarter of 2023 (Note 2)			
	Name	Amount	Percentage to Annual Net Purchase (%)	Relationship with the Issuer	Name	Amount	Percentage to Annual Net Purchase (%)	Relationship with the Issuer	Name	Amount	Percentage of net purchases in the current year as of the previous quarter (%)	Relationship with the Issuer
1	Other	2,683,466	100	-	Other	2,064,510	100	-	Other	189,822	100	-
2	Net purchase	2,683,466	100	-	Net purchase	2,064,510	100	-	Net purchase	189,822	100	-

Note 1: List the names of suppliers with more than 10% of the total purchases in the last two years and their purchase amounts and proportions. However, a code can be used if the name of the supplier cannot be disclosed due to contractual agreement or if the transaction object is an individual and non-related person.

Note 2: As of the date of publication of the annual report, if companies that are listed or whose stocks have been traded in the stock exchange have the latest financial information that has been verified or reviewed by a CPA, they should be disclosed.

2. Information of major sales customers in the last two years:

Consolidated data

Item	2021				2022				As of the first quarter of 2022 (Note 2)			
	Name	Amount	Percentage to Annual Net Revenue (%)	Relationship with the Issuer	Name	Amount	Percentage to Annual Net Revenue (%)	Relationship with the Issuer	Name	Amount	Percentage of net sales of the current year to the previous quarter (%)	Relationship with the Issuer
1	Group B	716,784	15%	Non-related parties	Group A	805,838	16%	Non-related parties	Group A	117,371	19%	Non-related parties
1	Group A	465,282	10%	Non-related parties	Group B	428,129	8%	Non-related parties	Group B	49,911	8%	Non-related parties
1	Other	3,697,887	75%	-	Other	3,850,597	76%	-	Other	443,035	73%	-
2	Net sales	4,879,953	100%	-	Net sales	5,084,564	100%	-	Net sales	610,317	100%	-

Note 1: List the names of customers with more than 10% of the total sales in the last two years and their sales amounts and proportions. However, a code can be used if the name of the customer cannot be disclosed due to contractual agreement or if the transaction object is an individual and non-related person.

Note 2: As of the date of publication of the annual report, if companies that are listed or whose stocks have been traded in the stock exchange have the latest financial information that has been verified or reviewed by a CPA, they should be disclosed.

(V) Production value table for the last two years

Consolidated data

Unit: NT\$ Thousand; Thousand pieces

Production Value Main Product	Year	2021			2022		
		Production capacity	Yield	Output value	Production capacity	Yield	Output value
Braking system		56,000	32,148	824,539	56,000	26,106	870,256
Seat Post		14,000	6,266	539,095	14,000	5,748	645,175
Stem		15,000	7,664	926,588	15,000	6,230	871,812
Hub		700	607	182,182	700	667	220,749
Other (Note 3)		-	-	1,584,262	-	-	1,526,936
Total		85,700	46,685	4,056,666	85,700	38,751	4,134,928

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

Note 2: If the production of each product is substitutable, the production capacity may be calculated together, and an explanation shall be attached.

Note 3: Others include the production/sale of other parts, semi-finished products, machinery and equipment, etc. Because the unit calculations are different, the production, sales and production capacity are not listed.

(VI) Sales value table for the last two years

Consolidated data

Unit: NT\$ Thousand; Thousand pieces

Sales Value Main Product	Year	2021				2022			
		Domestic sales		Export		Domestic sales		Export	
		Amount	Value	Amount	Value	Amount	Value	Amount	Value
Braking system		14,230	340,832	15,262	628,258	9,913	329,558	10,638	735,533
Seat Post		3,407	321,047	2,768	298,456	2,450	265,936	3,273	515,960
Stem		4,497	638,109	3,052	425,008	3,136	494,406	3,007	561,015
Hub		2	626	605	240,570	-	89	660	285,991
Other (Note)		-	690,212	-	1,296,835	-	629,135	-	1,266,941
Total		22,136	1,990,826	21,687	2,889,127	15,499	1,719,124	17,578	3,365,440

Note: Others include the production/sale of other parts, semi-finished products, machinery and equipment, etc. Since the unit of calculations are different, the production, sales and production capacity are not listed.

III. Information of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report:

Consolidated data

Year		2021	2022	For the Current Fiscal Year as of May 11, 2023
Number of employees	Management	366	400	372
	R&D (technical) personnel	162	126	126
	Operator	1,116	968	863
	Total	1,644	1,494	1,361
Average age		41.53	41.85	43.02
Average year of services		9.9 years	11 years	11.8 years
Educational level (%)	Ph.D.	0	0	0
	Master	1.40	1.40	1.54
	University	18.43	20.35	21.38
	High school	31.69	34.54	33.80
	Below high school	48.48	43.71	43.28

IV. Disbursements for environmental protection:

(I) For losses incurred due to environmental pollution in the most recent year and up to the publication date of the annual report (including compensation and environmental protection audit results that violate environmental protection laws and regulations. The date and number of punishment, , the violation of laws and regulations, the content of violations, and the content of punishment should be listed), disclose the estimated amount and corresponding measures that may occur at present and in the future: None.

(II) Future countermeasures and possible expenditures: Not applicable.

(III) Implementation in response to the EU Restriction of Hazardous Substances (RoHS):

The products of the Company sold to Europe are in compliance with RoHS regulations.

(IV) The Company cooperates with the energy saving target and implements the green energy plan. The annual average energy saving effect is 1.87%, reaching the annual average of 1% or more stipulated by the Energy Bureau of the Ministry of Economic Affairs. The Company has passed the on-site inspection. Related implementation measures include:

1. Air compressor:

(1) The loading and unloading fixed frequency air compressor is updated to a variable frequency air compressor.

- (2) Improvement of pipeline leakage.
- 2. Air conditioning equipment:
 - (1) The fixed frequency of separate air-conditioner is changed to frequency conversion.
 - (2) The temperature control of the box-type air conditioner with a thermostat is 26-28°C, about 2 °C higher than the original temperature, saving electricity by 12%.
 - (3) The central air conditioner is equipped with a circulating fan to improve the somatosensory effect of the cold room, which can relatively increase the set temperature to achieve energy saving effects.
 - (4) Plant-wide annual maintenance improves heat dissipation efficiency and saves electricity.
- 3. Equipment improvement:
 - (1) High-efficiency and power-saving equipment is selected.
 - (2) The motor is fully upgraded from E1 and E2 to E3.
 - (3) The equipment is changed from compressor water cooling to air cooling to reduce electric energy.
- 4. Lighting equipment:
 - (1) The old T8 lamps are completely replaced with LED lamps and the number of lamps is reduced according to the brightness requirements to effectively save electricity.
 - (2) Sensors and timers are installed to effectively reduce lighting waste.
- 5. Resource reuse:

The heat generated by the equipment is recycled for use in the shower in the dormitory.
- 6. A large number of newly planted trees are added to green the environment, save energy, reduce carbon, and promote environment sustainability.

V. Labor relations:

- (I) Employee's benefit programs, continuous education and training:
 - 1. Employees' benefit programs:
 - (1) Since the establishment of the Employee Benefit Committee in October 1989, the Company has comprehensively managed various benefit services. All employees have enjoyed annual gifts, birthday gifts, wedding and funeral benefits, scholarships, service gifts, maternity subsidies, emergency relief, and hospitalization consolation payment, severance payment and other benefits, and regular domestic and foreign travel and leisure self-improvement activities for employees are held every year to share the Company's operating profits with employees.
 - (2) The Company is in an industry where the Labor Standard Law applies. All operations such as working conditions, personnel, salary, management, etc. are based on the Labor

Standard Law, and staff suggestion boxes are set up to receive all employees' suggestions as a reference for various improvement measures of the Company.

- (3) The Company has employee dormitories, staff dormitories and dormitories for foreign workers, providing accommodation for remote employees and foreign workers, and setting up nursing (breastfeeding) rooms to optimize the facilities and environment of the breastfeeding room and facilitate female employees to feed their babies; employs doctors in the factory, provides special preschool education institutions for employees, and beautifies the planting of trees and landscapes, providing special hospitals for employees, carrying out the renovation and improvement of staff dormitories and foreign employees' kitchens and restaurants, the renovation and improvement of employee leisure and recreation rooms and employee outdoor parking lots, and effectively improving employees' work morale and centripetal force.
 - (4) The Company continues to handle the evaluation and improvement of employee catering vendors, employee blood donation public welfare activities, health promotion-handling employee weight loss activities and employee aerobic exercise courses.
 - (5) The Company usually attaches importance to humane management and two-way communication with employees. Therefore, the labor-management relationship has always been harmonious. In the future, the Company will strengthen the coordination and interaction between labor and management to create a win-win working environment, and fulfill social responsibilities as a business owner for caring for employees.
2. Continuous education and training:
- With perfect education and training mechanism, the Company sets up various academic, knowledge, and technical education courses from time to time every year, and selects employees to participate in education courses outside the factory or abroad according to work needs, making employees enjoy learning and growth from work.
3. Employee retirement system and implementation status:
- (1) Retirement matters of the Company's employees are handled in accordance with the relevant regulations of the "Working Rules of Lee Chi Enterprises Co., Ltd.", the Labor Standard Law, and the Labor Pension Act.
 - (2) The retirement pension system of the "Labor Pension Act" applicable to the Company is a government-managed retirement plan. No less than 6% of the monthly salary shall be allocated to the individual account with the Labor Insurance Bureau according to the salary of the employee and in accordance with the monthly salary grading table approved by the Executive Yuan.
 - (3) If the Company is subject to the provisions of the Labor Standard Law on retirement fund, the reserve for pension shall be distributed on a monthly basis in accordance with the Labor Standard Law. Under the supervision by the Company's Labor Retirement Reserve Supervision Committee, the Company holds regular meetings to report the status of pension withdrawal and expenditure, and in the name of the committee, deposits the reserve for pension in the Bank of Taiwan, which is responsible for handling income and expenditure, custody and utilization. However, in accordance with the regulations on the safekeeping and utilization of the income and expenditure of the labor pension fund, the

minimum income distributed by the labor retirement fund shall not be lower than the income calculated by 2-year fixed deposit interest rate of a local bank.

- (4) Before the end of each year, the Company estimates the pension amount of employees who are expected to achieve the retirement conditions of Article 53 or Subparagraph 1, Paragraph 1 of Article 54 of the Labor Standards Law, fully distributes pension amount before the end of March of the following year according to the law, eliminates worries of retired employees in their lives, and promotes all employees to contribute their personal performance at work.

4. Labor-management agreement and various employee rights protection measures

The Company attaches great importance to the opinions of employees, regularly holds labor-management meetings, and if necessary, additional ad hoc meetings, invites all employees of the Company to participate and encourages employees to provide suggestions, and set up complaint channels such as employee complaint mailboxes, so that the channels for employee complaints are smooth, so as to understand the opinions of colleagues on the management and welfare system, as a reference for improvement. Therefore, no major labor dispute has occurred. Looking forward to the future, under the condition of good interaction between labor and management, it is estimated that the possibility of future losses due to labor disputes is extremely low

- (II) For losses incurred due to labor-management dispute in the most recent year and up to the publication date of the annual report (including labor-management inspection results that violate the Labor Standard Law. The date of punishment, the font size, the violation of laws and regulations, the content of violations, and the content of punishment should be listed), disclose the estimated amount and corresponding measures that may occur at present and in the future: None.

VI. Cyber security management:

(I) Cyber security risk management framework

In order to improve cyber security management, the Company has established the “Cyber Security Management Committee” since October 30, 2020, with the head of the Computer Room serving as the convener. Meetings are held regularly every year or as needed to review the development direction and strategy of cyber security management and related matters. The Computer Room provides information on cyber security and promotes awareness to improve the security of business operations.

The 2022 Cyber Security Governance Report was submitted to the Board of Directors in December 2022.

(II) Cyber security policies

1. Strictly abide by laws and regulations to formulate relevant cyber security management regulations, strengthen cyber security management, and ensure the confidentiality, integrity and availability of the company's information assets
2. Regularly evaluate and conduct internal audits to ensure that the Company's business continues to operate steadily and safely

3. Supervise the employees of the Company to implement and cooperate with cyber security protection, and raise the awareness of cyber security of all departments and personnel
4. Require all employees of the Company and manufacturers who use or connect to the Company's computer system to strictly abide by the Company's cyber security regulations

(III) Concrete management plans and investments in resources for cyber security management

1. For information equipment and network equipment, the Company has implemented security monitoring systems to avoid equipment theft or malicious vandalism.
2. In response to the increasing importance of cyber security, the Company implements security protection mechanisms every year and cooperates with external cyber security vendors to avoid cyber-attacks, ransom ware, computer viruses and other cyber security issues
3. Cyber security incident drills are conducted annually to strengthen the employees' crisis awareness of cyber security and the resilience of cyber security personnel in order to prevent and stop the spread of the crisis
4. The Company's internal audit cooperates with the annual audit plan to implement the inspection of cyber security as an audit item. In accordance with Articles 8 and 9 of the Internal Control System Processing Guidelines, which are to regulate the management of personal data protection and to regulate the use of computerized information systems, respectively, there should be a clear division of responsibilities between the information department and user department, and the following control operations are to be implemented:
 - (1) Division of functions and responsibilities of the information processing department
 - (2) Control of system development and program modification
 - (3) Control of the preparation of system documents
 - (4) Control of program and data access
 - (5) Control of data input and output
 - (6) Control of data processing
 - (7) Control of files and equipment security
 - (8) Control of purchase, use and maintenance of hardware and system software
 - (9) Control of system recovery plan systems and test procedures
 - (10) Control of cyber security inspection
 - (11) Control of operations related to disclosure of information to the website designated by the competent authority
5. Concrete implementation status:
 - (1) The head of the Computer Room serves as the convener and regularly holds management review meetings, the main content of which is to review information security policies, audit reports, and continuous improvement plans.
 - (2) The Computer Room continues to provide information on cyber security and promotes awareness from time to time.
From time to time, the Computer Room notifies all employees of the latest relevant information and reminders by email, contact list, etc., and make every effort to jointly prevent breaches in cyber security and ensure a safe network environment.
 - (3) The internal audit continues to cooperate with the annual audit plan to implement the inspection of cyber security as an audit item, and submits the audit report to the Audit Committee for review.

- (4) The Computer Room strengthens the monitoring of firewalls, tracks information security, finds out whether security is abnormal and reports information security incidents in real time
- (5) The Company strengthens information security education for information personnel from time to time every year.

(IV) For losses incurred due to major cyber security incident in the most recent year and up to the publication date of the annual report, disclose the possible impact and corresponding measures. If the possible impact could not be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained: None.

VII. Important contracts: None.

Chapter VI. Financial Overview

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

(I) Financial information using International Financial Reporting Standards

Condensed balance sheet (consolidated financial report)

Unit: NT\$ Thousand

Item	Year	Financial Information of the Most Recent Five Years					Financial Data for the Current Fiscal Year as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Current assets		2,976,706	2,607,259	3,043,900	4,073,171	3,909,984	3,576,723
Property, plant and equipment		1,242,277	1,249,956	1,216,699	1,175,687	1,197,534	1,169,269
Intangible assets		101,054	96,176	90,345	86,721	89,185	89,183
Other assets		362,182	446,318	472,339	344,043	229,515	300,956
Total assets		4,682,219	4,399,709	4,823,283	5,679,622	5,426,218	5,136,131
Current liabilities	Before distribution	856,817	752,037	1,094,290	1,513,513	953,176	658,411
	After distribution	913,238	797,174	1,172,445	1,714,483	(Note 1)	-
Non-current liabilities		513,951	424,386	361,614	362,915	306,521	294,843
Total liabilities	Before distribution	1,370,768	1,176,423	1,455,904	1,876,428	1,259,697	953,254
	After distribution	1,427,189	1,221,560	1,534,059	2,077,398	(Note 1)	-
Equity attributable to owners of the parent		3,216,148	3,124,358	3,261,307	3,656,367	4,056,648	4,067,411
Share capital common stock		2,278,250	2,278,250	2,278,250	2,278,250	2,256,850	2,256,850
Capital reserve		60,505	60,505	64,235	64,235	67,084	67,084
Retained earnings	Before distribution	1,014,156	968,355	1,081,932	1,452,761	1,874,647	1,876,152
	After distribution	957,735	923,218	1,003,777	1,251,791	(Note 1)	-
Other equity		(122,018)	(161,516)	(123,883)	(99,652)	(121,257)	(111,999)
Treasury share		(14,745)	(21,236)	(39,227)	(39,227)	(20,676)	(20,676)
Non-controlling interests		95,303	98,928	106,072	146,827	109,873	115,466
Total equity	Before distribution	3,311,451	3,223,286	3,367,379	3,803,194	4,166,521	4,182,877
	After distribution	3,255,030	3,178,149	3,289,224	3,602,224	(Note 1)	-

Note 1: Earnings distribution proposal for 2022 is yet to be approved by the shareholders' meeting.

Note 2: Consolidated Financial Data for the Current Fiscal Year as of March 31, 2023 has been reviewed and approved by the CPA.

Condensed composite income statement (consolidated financial report)

Unit: NT\$ Thousand; except that earnings per share is NT\$

Item	Financial Information of the Most Recent Five Years					Financial Data for the Current Fiscal Year as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating revenue	2,995,946	2,999,007	3,383,919	4,879,953	5,084,564	610,317
Gross profit	273,719	329,908	520,849	914,233	1,004,947	72,407
Operating profit (loss)	(151,377)	(83,234)	136,845	455,533	597,955	(12,247)
Non-operating income and expenses	258,764	108,997	125,190	147,078	101,900	17,394
Net income (loss) before tax	107,387	25,763	262,035	602,611	699,855	5,147
Net income (loss) from continuing operations	60,095	15,965	202,305	494,023	555,205	4,577
Loss of discontinued operating units	31,745	-	-	-	-	-
Net profit (loss) for the period	91,840	15,965	202,305	494,023	555,205	4,577
Other comprehensive income (after tax)	(74,071)	(41,218)	32,802	33,447	4,762	11,779
Total comprehensive income (loss)	17,769	(25,253)	235,107	527,470	559,967	16,356
Net income attributable to shareholders of the Company	92,840	12,421	169,303	447,359	568,713	1,322
Net income attributable to non-controlling interests	(1,000)	3,544	33,002	46,664	(13,508)	3,255
Total comprehensive income attributable to shareholders of the Company	22,201	(28,878)	199,740	473,215	578,921	10,763
Total comprehensive income attributable to non-controlling interests	(4,432)	3,625	35,367	54,255	(18,954)	5,593
Earnings per share	0.41	0.06	0.76	2.00	2.55	0.01

Note 1: Consolidated Financial Data for the Current Fiscal Year as of March 31, 2023 has been reviewed and approved by the CPA.

Condensed balance sheet (individual financial report)

Unit: NT\$ Thousand

Item	Year	Financial Information of the Most Recent Five Years				
		2018	2019	2020	2021	2022
Current assets		1,635,736	1,749,021	2,113,020	2,823,380	3,023,913
Property, plant and equipment		701,062	782,856	802,216	822,780	865,459
Intangible assets		42,434	39,394	37,168	35,207	31,724
Other assets		1,709,608	1,443,309	1,300,775	1,401,946	1,387,193
Total assets		4,088,840	4,014,580	4,253,179	5,083,313	5,308,289
Current liabilities	Before distribution	529,369	530,014	635,442	1,064,522	894,191
	After distribution	585,790	575,151	713,597	1,265,492	(Note)
Non-current liabilities		343,323	360,208	356,430	362,424	357,450
Total liabilities	Before distribution	872,692	890,222	991,872	1,426,946	1,251,641
	After distribution	929,113	935,359	1,070,027	1,627,916	(Note)
Share capital common stock		2,278,250	2,278,250	2,278,250	2,278,250	2,256,850
Capital reserve		60,505	60,505	64,235	64,235	67,084
Retained earnings	Before distribution	1,014,156	968,355	1,081,932	1,452,761	1,874,647
	After distribution	957,735	923,218	1,003,777	1,251,791	(Note)
Other equity		(122,018)	(161,516)	(123,883)	(99,652)	(121,257)
Treasury share		(14,745)	(21,236)	(39,227)	(39,227)	(20,676)
Total equity	Before distribution	3,216,148	3,124,358	3,261,307	3,656,367	4,056,648
	After distribution	3,159,727	3,079,221	3,183,152	3,455,397	(Note)

Note: Earnings distribution proposal for 2022 is yet to be approved by the shareholders' meeting.

Condensed composite income statement (individual financial report)

Unit: NT\$ Thousand; except that earnings per share is NT\$

Item	Year	Financial Information of the Most Recent Five Years				
		2018	2019	2020	2021	2022
Operating revenue		1,875,425	2,017,452	2,176,121	3,286,536	3,851,621
Gross profit		298,784	296,097	330,580	700,259	841,191
Operating profit (loss)		107,367	99,767	163,739	491,116	635,517
Non-operating income and expenses		32,765	(78,665)	65,115	60,050	72,918
Net income (loss) before tax		140,132	21,102	228,854	551,166	708,435
Net income from continuing operations		92,840	12,421	169,303	447,359	568,713
Loss of discontinued operating units		-	-	-	-	-
Net profit (loss) for the period		92,840	12,421	169,303	447,359	568,713
Other comprehensive income (after tax)		(70,639)	(41,299)	30,437	25,856	10,208
Total comprehensive income (loss)		22,201	(28,878)	199,740	473,215	578,921
Net income attributable to shareholders of the Company		92,840	12,421	169,303	447,359	568,713
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to shareholders of the Company		22,201	(28,878)	199,740	473,215	578,921
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		0.41	0.06	0.76	2.00	2.55

(II) Names of certified public accountants the past 5 fiscal years and audit opinion:

Year	CPA	Audit Opinion
2018	Su ,Ting-Chien, Tseng, Done-Yuin	Unqualified opinion
2019	Su ,Ting-Chien, Tseng, Done-Yuin	Unqualified opinion
2020	Su ,Ting-Chien, Tseng, Done-Yuin	Unqualified opinion
2021	Yang, Chi-Sheng, Su ,Ting-Chien	Unqualified opinion
2022	Liu, Li-Wei, Su ,Ting-Chien	Unqualified opinion

II. Financial analyses for the past 5 fiscal years

(1) Financial analysis (consolidated financial report)

Item		Year	Financial analyses for the past 5 fiscal years					As of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022		
Financial structure (%)	Liability to asset ratio	29.27	26.73	30.18	33.03	23.21	18.55	
	Long-term capital to PP&E ratio	307.93	291.82	306.48	354.35	373.52	382.95	
Debt service ability (%)	Current ratio	347.41	346.69	278.16	269.12	410.20	543.23	
	Quick ratio	263.66	261.17	198.77	162.18	262.24	348.30	
	Interest coverage ratio	-	-	-	-	-	-	
Operating efficiency	Receivables turnover rate (times)	3.84	3.85	3.5	3.79	4.16	2.82	
	Average collection days	95.05	94.8	104.28	96.30	87.74	129.43	
	Inventory turnover rate (times)	3.74	3.77	3.63	3.12	2.64	1.56	
	Payables turnover rate (times)	2.59	2.57	2.71	2.98	2.67	1.97	
	Average inventory turnover days	97.59	96.81	100.55	116.98	138.25	233.97	
	Turnover rate for property, plant and equipment (times)	2.32	2.4	2.74	4.07	4.28	2.00	
	Total asset turnover (times)	0.64	0.66	0.73	0.92	0.91	0.46	
Profitability	Return on assets (%)	1.28	0.35	4.38	9.41	10.00	0.35	
	Ratio of return on stockholders' equity (%)	1.80	0.48	6.13	13.77	13.93	0.43	
	Ratio of income before tax to paid in capital (%)	4.71	1.13	11.5	26.45	31.01	0.91	
	Profit margin ratio (%)	2.00	0.53	5.97	10.12	10.91	0.74	
	Earnings per share (NT\$)	0.40	0.06	0.76	2.00	2.55	0.01	
Cash flow	Cash flow ratio (%)	11.39	9.36	1.01	(2.22)	88.06	108.54	
	Allowable cash flow ratio (%)	64.18	53.03	34.3	9.91	53.39	62.73	
	Cash reinvestment rate (%)	1.10	0.3	(0.72)	(2.38)	11.31	3.12	
Leverage	Operating leverage	(0.11)	(1.05)	2.23	1.37	1.29	(2.51)	
	Financial leverage	1.00	0.99	1.00	1.00	1.00	0.99	

Description:

1. Decrease in liability to asset ratio: This was mainly due to the decrease in total liabilities, especially for the fourth quarter of 2022, as the industry adjusted inventory and decreased purchases, resulting in a sharp decrease in accounts payable.
2. Increase in current ratio and quick ratio: This was mainly due to the revenue growth in 2022, resulting in the sharp increase in cash and cash equivalent in current assets, and the decrease in accounts payable in current liabilities.
3. Increase in earnings per share: This was mainly due to the increase in net profit attributable to the parent company, resulting in an increase of earnings per share.
4. Increase in cash flow ratios: This was mainly due to the sharp increase in net cash generated from operating activities and the sharp decrease in accounts payable in current liabilities, resulting in the great difference compared with the previous year, which also led to the great difference of related ratios.

Note 1: Consolidated Financial Data for the Current Fiscal Year as of March 31, 2023 has been reviewed and approved by the CPA.

Note 2: The formula for each financial ratio is as follows:

1. Financial structure
 - (1) Debt Ratio = Total Liabilities / Total Assets
 - (2) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment
2. Debt-paying capability
 - (1) Current Ratio = Current Assets / Current Liabilities
 - (2) Quick ratio = (current assets-inventory - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expenditure in the current period.
3. Operating efficiency
 - (1) Average Collection Turnover (includes accounts receivable and notes receivable from operations) = Net Revenue / Average Trade Receivables (includes accounts receivable and notes receivable from operations)
 - (2) Average number of days for cash collection = 365 / turnover rate of accounts receivable.
 - (3) Inventory turnover rate = cost of goods sold /average inventory value.
 - (4) Payables (includes accounts payable and notes payable from operations) = Cost of goods sold / Balance of average payables in each period (includes accounts payable and notes payable from operations)
 - (5) Average number of sales days = 365 / turnover rate of inventories.
 - (6) Property, Plant and Equipment Turnover = Net Revenue / Average Net Property, Plant and Equipment
 - (7) Total Assets Turnover = Net Revenue / Average Total Assets
4. Profitability
 - (1) Return on assets = [After-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on equity = After-tax profit and loss / average total equity.
 - (3) Net margin ratio = After-tax profit and loss/net sales.
 - (4) Earnings Per Share = (Net Income Attributable to Owners of the Parent Company - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 3)
5. Cash flow
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (2) Net allowable cash flow ratio = Net cash flow from operating activities in the past five years /(capital expenditure + inventory increase + cash dividends) in the past five years .
 - (3) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital) (Note 4)
6. Leverage:
 - (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income (Note 5)

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses)

Note 3: The formula for calculating the above earnings per share shall pay special attention to the following matters when measuring:

1. It should be based on the weighted average number of ordinary shares, rather than the number of issued shares at the end of the year.
2. For cash capital increase or treasury share trading, the weighted average number of shares should be calculated in consideration of the circulation period.
3. Where there is a capital increase from earnings or capital increase from capital reserve, when the earnings per share of previous years and half-years are calculated, retrospective adjustments should be made according to the capital increase ratio, regardless of the period of the issuance of the capital increase.
4. If the special stock is non-convertible cumulative special stock, the dividends for the current year (regardless of whether they are distributed) should be deducted from the net profit after tax or the net loss after tax should be increased. If the special stock is non-cumulative, in the case of net profit after tax, the dividend of the special stock shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.

Note 4: The following items should be paid special attention to when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow from capital investment each year.
3. The increase in inventory is only included when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special stock.
5. Gross property, plant and equipment refer to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 5: The issuer should classify various operating costs and operating expenses as fixed and variable according to their nature. If estimates or subjective judgments are involved, attention must be paid to their reasonableness and consistency shall be maintained.

Note 6: If the Company's stocks have no denomination or the denomination per share is not NT\$10, the calculation of the above ratio of paid-in capital shall be made based on the equity ratio attributable to the owner of the parent company on the balance sheet.

Financial analysis (individual financial report)

Item		Year	Financial analyses for the past 5 fiscal years				
		2018	2019	2020	2021	2022	
Financial structure (%)	Liability to asset ratio	21.34	22.17	23.32	28.07	23.57	
	Long-term capital to PP&E ratio	507.72	445.1	450.96	488.44	510.02	
Solvency (%)	Current ratio	308.99	329.99	332.52	265.22	338.17	
	Quick ratio	241.50	262.14	256.29	157.80	225.32	
	Interest coverage ratio	-	-	-	-	-	
Operating efficiency	Receivables turnover rate (times)	3.98	4.06	3.79	4.22	4.55	
	Average collection days	91.70	89.9	96.3	86.49	80.21	
	Inventory turnover rate (times)	4.49	4.65	4.22	3.13	2.75	
	Payables turnover rate (times)	2.72	2.95	2.9	3.34	2.58	
	Average inventory turnover days	81.29	78.49	86.49	116.61	132.72	
	Turnover rate for property, plant and equipment (times)	2.58	2.71	2.74	4.04	4.56	
	Total asset turnover (times)	0.45	0.49	0.52	0.70	0.74	
Profitability	Return on assets (%)	2.25	0.3	4.09	9.58	10.95	
	Ratio of return on stockholders' Equity (%)	2.86	0.39	5.3	12.93	14.74	
	Ratio of income before tax to paid in capital (%)	6.15	0.92	10.04	24.19	31.39	
	Profit margin ratio (%)	4.95	0.61	7.78	13.61	14.76	
	Earnings per share (NT\$)	0.40	0.06	0.76	2.00	2.55	
Cash flow	Cash Flow Ratio (%)	24.94	28.2	16.98	(1.87)	85.48	
	Allowable cash flow ratio (%)	62.87	66.96	55.47	35.98	71.92	
	Cash reinvestment rate (%)	2.14	2.63	1.26	(2.17)	11.84	
Leverage	Operating leverage	1.86	1.91	1.57	1.19	1.16	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Description:

1. Increase in current ratio and quick ratio: This was mainly due to the continuing revenue growth in 2022, resulting in the sharp increase in cash and cash equivalent in current assets, and the decrease in accounts payable in current liabilities.
2. Decrease in payables turnover rate (times): This was mainly due to the decrease in both net purchases and balance of average payables.
3. Increase in earnings per share: This was mainly due to the increase in net profit attributable to the parent company, resulting in an increase in earnings per share.
4. Increase in cash flow ratios: This was mainly due to the sharp increase in net cash generated from operating activities and the sharp decrease in accounts payable in current liabilities, resulting in the great difference compared with the previous year, which also led to the great difference of related ratios.

III. Audit Committee's report for the most recent year's financial statement

Lee Chi Enterprises Co., Ltd.

Audit Committee's Review Report

It is hereby approved

The Board of Directors has submitted the Company's Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for 2022 (including individual and consolidated), and they have been audited by certified public accountants, Li-Wei Liu and Ting-Chien Su of Deloitte & Touche Tohmatsu Limited. The Audit Committee has reviewed the above statements, 2022 Business Report and the earnings distribution proposal, and did not find any instances of non-compliance. In accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act, the report is hereby presented.

Yours faithfully,

The Company's 2023 Annual General Meeting

Lee Chi Enterprises Co., Ltd.

Convener of the Audit Committee: Chen, Kuei-Tuan

March 15, 2023

IV. Auditor’s Report and 2022 Financial Statements

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
Lee Chi Enterprises Company Ltd.

Opinion

We have audited the accompanying financial statements of Lee Chi Enterprises Company Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company’s financial statements for the year ended December 31, 2022 is stated as follows.

Revenue Recognition

The Company’s operating revenue mainly comes from the manufacturing and sale of bicycle components. The operating revenue significantly increased due to the changes in market demand for bicycle components in 2022 compared to the previous year. However, the revenue from specific customers was significant to the overall operating revenue. We identified the validity of recognition of the revenue from specific customers as a key audit matter. For the accounting policy on the revenue recognition, refer to Note 4 to the financial statements.

The main audit procedures that we performed in respect of revenue from the specific customers included the following:

1. We evaluated the design and implementation of the related internal controls on revenue recognition and tested the operating effectiveness of the related controls.
2. We selected samples from the specific customers’ subsidiary ledger of sales revenue, to verify related documents and receipts of payment and confirm the validity of revenue recognition.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Li-Wei Liu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2023

Notice to Readers

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

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

Lee Chi Enterprises Company Ltd.

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

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 740,755	14	\$ 315,293	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	98,469	2	84,612	2
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	51,303	1	68,006	1
Notes receivable (Notes 4, 10 and 19)	37,448	1	35,727	1
Trade receivables from non-related parties (Notes 4, 10 and 19)	728,926	14	873,385	17
Trade receivables from related parties (Notes 4, 19 and 26)	63,493	1	40,198	1
Other receivables (Notes 4 and 26)	294,440	5	262,671	5
Inventories (Notes 4 and 11)	995,506	19	1,117,422	22
Other current assets	13,573	-	26,066	1
Total current assets	<u>3,023,913</u>	<u>57</u>	<u>2,823,380</u>	<u>56</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 9 and 27)	1,673	-	1,664	-
Investments accounted for using the equity method (Notes 4 and 12)	1,315,805	25	1,307,651	26
Property, plant and equipment (Notes 4 and 13)	865,459	16	822,780	16
Right-of-use assets (Notes 4 and 14)	10,375	-	13,339	-
Other intangible assets (Notes 4 and 15)	31,724	1	35,207	1
Deferred tax assets (Notes 4 and 21)	36,669	1	54,373	1
Net defined benefit assets - non-current (Notes 4 and 17)	10,884	-	-	-
Other non-current assets (Note 4)	11,787	-	24,919	-
Total non-current assets	<u>2,284,376</u>	<u>43</u>	<u>2,259,933</u>	<u>44</u>
TOTAL	<u>\$ 5,308,289</u>	<u>100</u>	<u>\$ 5,083,313</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables to non-related parties	\$ 260,592	5	\$ 580,515	11
Trade payables to related parties (Note 26)	286,414	5	180,042	4
Other payables (Note 16)	182,644	3	180,397	4
Current tax liabilities (Note 4)	132,592	3	74,353	1
Lease liabilities - current (Notes 4 and 14)	2,904	-	2,765	-
Other current liabilities (Notes 4, 16 and 19)	29,045	1	46,450	1
Total current liabilities	<u>894,191</u>	<u>17</u>	<u>1,064,522</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	131,538	3	130,423	2
Lease liabilities - non-current (Notes 4 and 14)	7,766	-	10,697	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	-	-	36,362	1
Other non-current liabilities	576	-	700	-
Investments accounted for using the equity method - credit balance (Notes 4 and 12)	217,570	4	184,242	4
Total non-current liabilities	<u>357,450</u>	<u>7</u>	<u>362,424</u>	<u>7</u>
Total liabilities	<u>1,251,641</u>	<u>24</u>	<u>1,426,946</u>	<u>28</u>
EQUITY				
Ordinary shares	2,256,850	42	2,278,250	45
Capital surplus	67,084	1	64,235	1
Retained earnings				
Legal reserve	328,978	6	284,080	6
Special reserve	99,652	2	123,882	2
Unappropriated earnings	1,446,017	27	1,044,799	21
Other equity	(121,257)	(2)	(99,652)	(2)
Treasury shares	(20,676)	-	(39,227)	(1)
Total equity	<u>4,056,648</u>	<u>76</u>	<u>3,656,367</u>	<u>72</u>
TOTAL	<u>\$ 5,308,289</u>	<u>100</u>	<u>\$ 5,083,313</u>	<u>100</u>

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

Lee Chi Enterprises Company Ltd.

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 26)	\$ 3,851,621	100	\$ 3,286,536	100
OPERATING COSTS (Notes 11, 20 and 26)	<u>3,010,430</u>	<u>78</u>	<u>2,586,277</u>	<u>79</u>
GROSS PROFIT	<u>841,191</u>	<u>22</u>	<u>700,259</u>	<u>21</u>
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	82,782	2	80,040	2
General and administrative expenses	55,829	1	54,423	2
Research and development expenses	68,040	2	70,925	2
Expected credit loss (gain) (Notes 4 and 10)	<u>(977)</u>	<u>-</u>	<u>3,755</u>	<u>-</u>
Total operating expenses	<u>205,674</u>	<u>5</u>	<u>209,143</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>635,517</u>	<u>17</u>	<u>491,116</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Finance costs	(343)	-	(205)	-
Share of profit or loss of subsidiaries	4,188	-	69,815	2
Interest income	2,243	-	1,038	-
Dividend income	3,956	-	2,306	-
Other income (Notes 18 and 20)	27,385	1	24,991	1
Gain (loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	(8,538)	-	3,669	-
Other expenses (Note 20)	(35,560)	(1)	(116)	-
Foreign exchange gain (loss), net (Note 20)	<u>79,587</u>	<u>2</u>	<u>(41,448)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>72,918</u>	<u>2</u>	<u>60,050</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	708,435	19	551,166	16
INCOME TAX EXPENSE (Notes 4 and 21)	<u>139,722</u>	<u>4</u>	<u>103,807</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>568,713</u>	<u>15</u>	<u>447,359</u>	<u>13</u>

(Continued)

Lee Chi Enterprises Company Ltd.

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

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 37,383	1	\$ (1,821)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(12,336)	(1)	21,772	1
Subsidiaries unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(6,657)	-	10,787	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 21)	(7,477)	-	364	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 18)	(705)	-	(5,246)	-
Other comprehensive income for the year, net of income tax	10,208	-	25,856	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 578,921	15	\$ 473,215	14
EARNINGS PER SHARE (Note 22)				
Basic	\$ 2.55		\$ 2.00	
Diluted	\$ 2.53		\$ 2.00	

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

(Concluded)

Lee Chi Enterprises Company Ltd.

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

	Share Capital (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)			Other Equity		Treasury Shares (Note 18)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations (Note 18)	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (Note 4)		
BALANCE AT JANUARY 1, 2021	\$ 2,278,250	\$ 64,235	\$ 265,642	\$ 135,847	\$ 680,443	\$ (132,855)	\$ 8,972	\$ (39,227)	\$ 3,261,307
Appropriation of 2020 earnings									
Legal reserve	-	-	18,438	-	(18,438)	-	-	-	-
Special reserve reversed	-	-	-	(11,965)	11,965	-	-	-	-
Cash dividends	-	-	-	-	(78,155)	-	-	-	(78,155)
Net profit for the year ended December 31, 2021	-	-	-	-	447,359	-	-	-	447,359
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,457)	(5,246)	32,559	-	25,856
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	445,902	(5,246)	32,559	-	473,215
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	3,082	-	(3,082)	-	-
BALANCE AT DECEMBER 31, 2021	2,278,250	64,235	284,080	123,882	1,044,799	(138,101)	38,449	(39,227)	3,656,367
Appropriation of 2021 earnings									
Legal reserve	-	-	44,898	-	(44,898)	-	-	-	-
Special reserve reversed	-	-	-	(24,230)	24,230	-	-	-	-
Cash dividends	-	-	-	-	(178,640)	-	-	-	(178,640)
Net profit for the year ended December 31, 2022	-	-	-	-	568,713	-	-	-	568,713
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	29,906	(705)	(18,993)	-	10,208
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	598,619	(705)	(18,993)	-	578,921
Cancellation of treasury shares	(21,400)	2,849	-	-	-	-	-	18,551	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,907	-	(1,907)	-	-
BALANCE AT DECEMBER 31, 2022	\$ 2,256,850	\$ 67,084	\$ 328,978	\$ 99,652	\$ 1,446,017	\$ (138,806)	\$ 17,549	\$ (20,676)	\$ 4,056,648

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

Lee Chi Enterprises Company Ltd.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 708,435	\$ 551,166
Adjustments for:		
Depreciation expenses	102,178	93,066
Amortization expenses	4,227	4,069
Expected credit loss recognized (reversed) on trade receivables	(977)	3,755
Net loss (gain) on fair value changes of financial assets at fair value through profit or loss	8,538	(3,669)
Financial costs	343	205
Interest income	(2,243)	(1,038)
Dividend income	(3,956)	(2,306)
Share of profit or loss of subsidiaries	(4,188)	(69,815)
Loss (gain) on disposal of property, plant and equipment	(208)	60
Gain on disposal of investments	-	(754)
Write-down of inventories	8,714	322
Net loss (gain) on foreign currency exchange	(2,583)	18,067
Deferred revenue	(124)	(123)
Recognition (reversal) of provisions	(2,766)	2,115
Changes in operating assets and liabilities		
Notes receivable	(1,721)	5,541
Trade receivables	112,210	(296,245)
Other receivables	11,012	(572)
Inventories	113,202	(650,324)
Other current assets	12,493	(9,090)
Trade payables	(212,808)	286,859
Other payables	3,589	63,458
Provisions	(386)	(1,309)
Other current liabilities	(14,253)	(4,708)
Net defined benefit assets / liabilities	(9,863)	(9,438)
Cash generated from (used in) operations	828,865	(20,708)
Interest received	2,093	1,352
Dividends received	3,956	2,306
Interest paid	(343)	(205)
Income tax paid	(70,141)	(2,653)
Net cash generated from (used in) operating activities	<u>764,430</u>	<u>(19,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	4,367	3,073
Proceeds from sale of financial assets at amortized cost	-	24,804
Purchase of financial assets at fair value through profit or loss	(1,661,500)	(1,309,277)
Proceeds from sale of financial assets at fair value through profit or loss	1,639,636	1,489,954
Payments for property, plant and equipment	(71,153)	(63,671)
Proceeds from disposal of property, plant and equipment	615	6

(Continued)

Lee Chi Enterprises Company Ltd.

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

	2022	2021
Increase in refundable deposits	\$ (28)	\$ (25)
Decrease in refundable deposits	21	-
Increase in other receivables from related parties	(31,400)	(22,457)
Payments for intangible assets	(744)	(2,108)
Increase in prepayments for equipment	(59,350)	(50,865)
Dividends received from subsidiaries	<u>22,000</u>	<u>16,500</u>
Net cash generated from (used in) investing activities	<u>(157,536)</u>	<u>85,934</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(2,792)	(2,840)
Dividends paid to owners of the Company	<u>(178,640)</u>	<u>(78,155)</u>
Net cash used in financing activities	<u>(181,432)</u>	<u>(80,995)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	425,462	(14,969)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>315,293</u>	<u>330,262</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 740,755</u>	<u>\$ 315,293</u>

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

(Concluded)

LEE CHI ENTERPRISES COMPANY LTD.

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

1. GENERAL INFORMATION

Lee Chi Enterprises Company Ltd. (the “Company”) was incorporated in May 1973. It mainly manufactures and sells bicycle components and general machinery.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 1995.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 15, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

When preparing the Company financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments

arising from the differences in accounting treatments between the standalone basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

For the purpose of presenting financial statements, the financial statements of the Company and its foreign operations are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated equity in respect of that operation are reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Company uses 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, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

g. Property, plant and equipment

Except for freehold land which is not depreciated, property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees. Such assets before reaching its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those goods and the cost of those goods are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

h. Intangible assets

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

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

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

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

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

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

b) Financial assets at amortized cost

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

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

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 12 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

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

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

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

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 150 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Derivative financial instruments

The derivative financial instrument the Company entered into is option of exchange rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

k. Provisions

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

Provisions for the expected cost of warranty obligations to assure that sales contracts are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligation.

l. Revenue recognition

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

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

The Company recognizes revenue when customers obtain control of the promised goods which is when the goods are delivered to the customers' specified locations. Transaction price received is recognized as a contract liability until performance obligations are satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and other allowances are generally made and adjusted based on historical experience and the consideration of varying contractual terms.

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

m. Leases

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

The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. 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 is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and technology, research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If a temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 299	\$ 238
Demand deposits	171,322	298,344
Cash equivalents		
Time deposits	<u>569,134</u>	<u>16,711</u>
	<u>\$ 740,755</u>	<u>\$ 315,293</u>
 <u>Interest rate per annum (%)</u>		
Demand deposits	0.00-1.05	0.00-0.20
Time deposits	0.002-5.00	2.95

7. FINANCIAL ASSETS AT FVTPL - CURRENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	<u>\$ 98,469</u>	<u>\$ 84,612</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT

Investments in Equity Instruments	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic listed shares	<u>\$ 51,303</u>	<u>\$ 68,006</u>

These investments in equity instruments are held for medium to long-term strategic purposes, and the Company is expected to generate profit from its long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The Company has signed a securities trust agreement with ChinaTrust Commercial Bank in September 2008, and deposited the securities in a trust account for lending and borrowing services. The period of agreement is 1 year. If either party fails to express the intent of modifying the agreement or terminating it in one month before expiration arrives, the agreement will be extended for 1 year automatically.

	<u>December 31</u>			
	<u>2022</u>		<u>2021</u>	
Listed Shares	Number of Shares (In Thousands)	Carrying Amount	Number of Shares (In Thousands)	Carrying Amount
CTBC Financial Holding Co., Ltd.	1,234	<u>\$ 27,264</u>	1,234	<u>\$ 32,014</u>

9. FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Time deposits with original maturities of more than 12 months	\$ <u>1,673</u>	\$ <u>1,664</u>
Interest rate per annum (%)	0.01	0.01

Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as collateral.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 37,448	\$ 35,727
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 37,448</u>	<u>\$ 35,727</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 736,099	\$ 881,535
Less: Allowance for impairment loss	<u>(7,173)</u>	<u>(8,150)</u>
	<u>\$ 728,926</u>	<u>\$ 873,385</u>

a. Notes receivable

The aging of notes receivable for the Company was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Not past due	\$ 37,448	\$ 35,727
Past due	<u>-</u>	<u>-</u>
	<u>\$ 37,448</u>	<u>\$ 35,727</u>

b. Trade receivables

The average credit period of sales of goods was 90 to 150 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company adopts the simplified practice of IFRS 9 and measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off trade receivables when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

	Not Past Due	Less than 60 Days	61 to 150 Days	Over 150 Days	Total
<u>December 31, 2022</u>					
Expected credit loss rate	0.06%	2%-5%	15%-50%	100%	
Gross carrying amount	\$ 688,185	\$ 41,861	\$ 883	\$ 5,170	\$ 736,099
Loss allowance (Lifetime ECLs)	<u>(735)</u>	<u>(843)</u>	<u>(425)</u>	<u>(5,170)</u>	<u>(7,173)</u>
Amortized cost	<u>\$ 687,450</u>	<u>\$ 41,018</u>	<u>\$ 458</u>	<u>\$ -</u>	<u>\$ 728,926</u>
<u>December 31, 2021</u>					
Expected credit loss rate	0.06%	2%-5%	15%-50%	100%	
Gross carrying amount	\$ 804,711	\$ 61,546	\$ 12,895	\$ 2,383	\$ 881,535
Loss allowance (Lifetime ECLs)	<u>(303)</u>	<u>(1,834)</u>	<u>(3,630)</u>	<u>(2,383)</u>	<u>(8,150)</u>
Amortized cost	<u>\$ 804,408</u>	<u>\$ 59,712</u>	<u>\$ 9,265</u>	<u>\$ -</u>	<u>\$ 873,385</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 8,150	\$ 4,395
Impairment loss recognized (reversed)	<u>(977)</u>	<u>3,755</u>
Balance at December 31	<u>\$ 7,173</u>	<u>\$ 8,150</u>

11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	\$ 56,354	\$ 46,409
Work in progress	430,923	551,848
Semi-finished goods	423,491	453,755
Finished goods	82,424	49,466
Inventory in transit	<u>2,314</u>	<u>15,944</u>
	<u>\$ 995,506</u>	<u>\$ 1,117,422</u>

The following table details the cost of inventories recognized as cost of goods sold:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 2,982,860	\$ 2,584,702
Inventory write-downs	8,714	322
Unallocated production overhead	<u>18,856</u>	<u>1,253</u>
	<u>\$ 3,010,430</u>	<u>\$ 2,586,277</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee in Subsidiaries	<u>December 31</u>			
	<u>2022</u>		<u>2021</u>	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Unlisted company</u>				
Lee Chi International Holding Limited (B.V.I.) (“Lee Chi International”)	\$ 1,181,516	100	\$ 1,128,196	100
Chief Venture Capital Corp. (“Chief Venture”)	<u>134,289</u>	55	<u>179,455</u>	55
	<u>\$ 1,315,805</u>		<u>\$ 1,307,651</u>	
<u>Investments accounted for using the equity method - credit</u>				
The Cycle Group, Inc. (“CGI”)	<u>\$ 217,570</u>	100	<u>\$ 184,242</u>	100

To adjust the Company’s structure, Cycle Origins Ltd. (“COL”) has been liquidated in 2021. Refer to Tables 6 and 7 for the details of the subsidiaries indirectly held by the Company.

The investments in subsidiaries accounted for using the equity method and the share of profit of loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 are based on the subsidiaries’ financial statements which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
<u>Cost</u>					
Land	\$ 216,900	\$ -	\$ -	\$ 41,893	\$ 258,793
Land improvements	15,277	-	-	-	15,277
Buildings	434,192	570	(1,589)	-	433,173
Machinery and equipment	523,132	46,790	(38,092)	27,845	559,675
Molding equipment	13,001	5,573	(2,717)	1,449	17,306
Transportation equipment	17,394	4,725	(1,345)	1,262	22,036
Office equipment	8,163	386	(2,046)	-	6,503
Other equipment	<u>74,713</u>	<u>4,650</u>	<u>(10,731)</u>	<u>2,062</u>	<u>70,694</u>
	1,302,772	62,694	(56,520)	74,511	1,383,457
Property in construction	<u>9,246</u>	<u>7,117</u>	<u>-</u>	<u>(2,022)</u>	<u>14,341</u>
	<u>1,312,018</u>	<u>\$ 69,811</u>	<u>\$ (56,520)</u>	<u>\$ 72,489</u>	<u>1,397,798</u>
<u>Accumulated depreciation</u>					
Land improvements	5,120	\$ 1,238	\$ -	\$ -	6,358
Buildings	200,232	14,209	(1,589)	-	212,852
Machinery and equipment	240,139	62,627	(37,685)	-	265,081
Molding equipment	5,467	5,085	(2,717)	-	7,835
Transportation equipment	5,602	3,599	(1,345)	-	7,856
Office equipment	3,746	1,829	(2,046)	-	3,529
Other equipment	<u>28,932</u>	<u>10,627</u>	<u>(10,731)</u>	<u>-</u>	<u>28,828</u>
	<u>489,238</u>	<u>\$ 99,214</u>	<u>\$ (56,113)</u>	<u>\$ -</u>	<u>532,339</u>
	<u>\$ 822,780</u>				<u>\$ 865,459</u>

For the Year Ended December 31, 2021					
	Beginning Balance	Additions	Disposals	Reclassification	Ending Balance
<u>Cost</u>					
Land	\$ 216,900	\$ -	\$ -	\$ -	\$ 216,900
Land improvements	12,677	1,304	-	1,296	15,277
Buildings	432,888	1,811	(1,159)	652	434,192
Machinery and equipment	476,277	32,124	(22,631)	37,362	523,132
Molding equipment	11,286	4,519	(4,232)	1,428	13,001
Transportation equipment	15,217	6,928	(5,243)	492	17,394
Office equipment	5,558	2,947	(592)	250	8,163
Other equipment	<u>64,793</u>	<u>13,202</u>	<u>(8,922)</u>	<u>5,640</u>	<u>74,713</u>
	1,235,596	62,835	(42,779)	47,120	1,302,772
Property in construction	<u>8,356</u>	<u>6,740</u>	<u>-</u>	<u>(5,850)</u>	<u>9,246</u>
	<u>1,243,952</u>	<u>\$ 69,575</u>	<u>\$ (42,779)</u>	<u>\$ 41,270</u>	<u>1,312,018</u>
<u>Accumulated depreciation</u>					
Land improvements	4,082	\$ 1,038	\$ -	\$ -	5,120
Buildings	187,267	14,124	(1,159)	-	200,232
Machinery and equipment	205,684	57,020	(22,565)	-	240,139
Molding equipment	5,737	3,962	(4,232)	-	5,467
Transportation equipment	8,092	2,753	(5,243)	-	5,602
Office equipment	2,509	1,829	(592)	-	3,746
Other equipment	<u>28,365</u>	<u>9,489</u>	<u>(8,922)</u>	<u>-</u>	<u>28,932</u>
	<u>441,736</u>	<u>\$ 90,215</u>	<u>\$ (42,713)</u>	<u>\$ -</u>	<u>489,238</u>
	<u>\$ 802,216</u>				<u>\$ 822,780</u>

For the demand of future business expansion, the Company purchased agricultural land of Kuaiguan, Changhua City. Due to restrictions of law, the Company was not able to register under the name of Lee Chi Enterprises Company Ltd. Therefore, the land is registered under the name of the chairman of the Company, Lin, Yu-Hsin, or the vice president, Lin, Yi-Hsien. The land was mortgaged to the Company in full amount.

In addition, the land in Shipai Section, Changhua City is registered under the name of the chairman of the Company, Lin, Yu-Hsin due to law restrictions. The Company has signed an agreement with him that he is not allowed to transfer or set other rights without the Company's consent. As of December 31, 2022 and 2021, the carrying amount of land registered under the name of other individuals was \$145,689 thousand and \$103,796 thousand, respectively.

No impairment loss was recognized or reversed for the years ended December 31, 2022 and 2021.

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

Land improvements	5-20 years
Buildings	
Main buildings	16-36 years
Others	2-20 years
Machinery and equipment	2-9 years
Molding equipment	3 years
Transportation equipment	3-6 years
Office equipment	4 years
Other equipment	2-16 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Buildings	<u>\$ 10,375</u>	<u>\$ 13,339</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 14,821</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 2,964</u>	<u>\$ 2,851</u>

Except for recognition for depreciation expenses, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Current	\$ 2,904	\$ 2,765
Non-current	\$ 7,766	\$ 10,697

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings	2.82%	2.82%

c. Material leasing activities and terms

The Company leases buildings for the use of plants with lease terms of 5 years. The Company does not have a bargain purchase option to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	\$ 688	\$ 676
Total cash outflow for leases	\$ (3,823)	\$ (3,721)

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

15. OTHER INTANGIBLE ASSETS

	<u>For the Year Ended December 31, 2022</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Cost</u>				
Patents	\$ 41,273	\$ -	\$ -	\$ 41,273
Computer software	11,959	744	-	12,703
	<u>53,232</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>53,976</u>
<u>Accumulated amortization</u>				
Patents	12,038	\$ 2,064	\$ -	14,102
Computer software	5,987	2,163	-	8,150
	<u>18,025</u>	<u>\$ 4,227</u>	<u>\$ -</u>	<u>22,252</u>
	<u>\$ 35,207</u>			<u>\$ 31,724</u>

For the Year Ended December 31, 2021

	Beginning Balance	Additions	Reclassification	Ending Balance
<u>Cost</u>				
Patents	\$ 41,273	\$ -	\$ -	\$ 41,273
Computer software	9,851	2,108	-	11,959
	<u>51,124</u>	<u>\$ 2,108</u>	<u>\$ -</u>	<u>53,232</u>
<u>Accumulated amortization</u>				
Patents	9,975	\$ 2,063	\$ -	12,038
Computer software	3,981	2,006	-	5,987
	<u>13,956</u>	<u>\$ 4,069</u>	<u>\$ -</u>	<u>18,025</u>
	<u>\$ 37,168</u>			<u>\$ 35,207</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	20 years
Computer software	2-10 years

**For the Year Ended
December 31**

	2022	2021
<u>An analysis of amortization by function</u>		
Operating costs	\$ 461	\$ 163
Selling and marketing expenses	32	32
General and administrative expenses	957	873
Research and development expenses	<u>2,777</u>	<u>3,001</u>
	<u>\$ 4,227</u>	<u>\$ 4,069</u>

16. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Other payables</u>		
Payables for salaries	\$ 54,125	\$ 67,232
Payables for indemnifications	35,226	-
Payables for compensation of employees	25,073	21,885
Payables for purchases of equipment	11,658	13,000
Payables for commission	8,066	5,510
Payables for remuneration of directors	3,319	2,880
Others	<u>45,177</u>	<u>69,890</u>
	<u>\$ 182,644</u>	<u>\$ 180,397</u>

(Continued)

	December 31	
	2022	2021
<u>Other current liabilities</u>		
Contract liabilities	\$ 15,398	\$ 29,235
Provisions	2,291	5,443
Others	<u>11,356</u>	<u>11,772</u>
	<u>\$ 29,045</u>	<u>\$ 46,450</u>
		(Concluded)

The provisions for warranty claims represent the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties. The estimate had been made on the basis of historical warranty trends.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 145,822	\$ 173,356
Fair value of plan assets	<u>(156,706)</u>	<u>(136,994)</u>
Net defined benefit liabilities (assets)	<u>\$ (10,884)</u>	<u>\$ 36,362</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ <u>178,404</u>	\$ <u>(134,425)</u>	\$ <u>43,979</u>
Service cost			
Current service cost	881	-	881
Net interest expense (income)	<u>876</u>	<u>(683)</u>	<u>193</u>
Recognized in profit or loss	<u>1,757</u>	<u>(683)</u>	<u>1,074</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,688)	(1,688)
Actuarial loss (gain)			
- Changes in demographic assumptions	3,879	-	3,879
- Changes in financial assumptions	(1,934)	-	(1,934)
- Experience adjustments	<u>1,564</u>	<u>-</u>	<u>1,564</u>
Recognized in other comprehensive income	<u>3,509</u>	<u>(1,688)</u>	<u>1,821</u>
Contributions from the employer	-	(10,512)	(10,512)
Benefits paid	<u>(10,314)</u>	<u>10,314</u>	<u>-</u>
Balance at December 31, 2021	<u>173,356</u>	<u>(136,994)</u>	<u>36,362</u>
Service cost			
Current service cost	664	-	664
Net interest expense (income)	<u>1,084</u>	<u>(893)</u>	<u>191</u>
Recognized in profit or loss	<u>1,748</u>	<u>(893)</u>	<u>855</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,627)	(10,627)
Actuarial gain			
- Changes in financial assumptions	(7,787)	-	(7,787)
- Experience adjustments	<u>(18,969)</u>	<u>-</u>	<u>(18,969)</u>
Recognized in other comprehensive income	<u>(26,756)</u>	<u>(10,627)</u>	<u>(37,383)</u>
Contributions from the employer	-	(10,718)	(10,718)
Benefits paid	<u>(2,526)</u>	<u>2,526</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 145,822</u>	<u>\$ (156,706)</u>	<u>\$ (10,884)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

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

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

	December 31	
	2022	2021
Discount rate	1.25%	0.63%
Expected rate of salary increase	2.00%	2.00%

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (2,946)	\$ (3,843)
0.25% decrease	\$ 3,040	\$ 3,977
Expected rate of salary increase		
0.25% increase	\$ 2,965	\$ 3,855
0.25% decrease	\$ (2,887)	\$ (3,745)

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

	December 31	
	2022	2021
Expected contributions to the plans for the next year	\$ 8,219	\$ 11,633
Average duration of the defined benefit obligation	8.2 years	9 years

18. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Shares authorized (in thousands of shares)	236,824	236,824
Shares authorized (in thousands of dollars)	\$ 2,368,240	\$ 2,368,240
Shares issued and fully paid (in thousands of shares)	225,685	227,825
Shares issued and fully paid (in thousands of dollars)	\$ 2,256,850	\$ 2,278,250

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Issuance of ordinary shares	\$ 37,245	\$ 37,598
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual acquisition	26,225	26,225
Treasury share transactions	3,202	-
Donations	<u>412</u>	<u>412</u>
	<u>\$ 67,084</u>	<u>\$ 64,235</u>

The capital surplus from shares issued in excess of par, the difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual acquisition, treasury share transactions and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

The Company's dividends policy is in accordance with current and future plans of development, taking into account of investment environment, demand of capital, domestic and international market competition and interest of shareholders. The appropriation of earnings is based on the Company's dividends policy. Shareholders' dividends can be distributed in the form of cash or shares and the cash dividends distributed shall not be less than 10% of the total dividends distributed. However, if cash dividends to be distributed is less than \$0.5 per share, such cash dividends shall be distributed in the form of ordinary shares. The form and percentage of dividends distributed depend on actual earnings and situation of capital of current year and would be adjusted based on the resolution of shareholders' meeting.

The legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

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

	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 44,898	\$ 18,438
Special reserve reversed	\$ (24,230)	\$ (11,965)
Cash dividends	\$ 178,640	\$ 78,155
Cash dividends per share (NT\$)	0.8	0.35

The appropriation of earnings for 2022 was proposed by the Company's board of directors in March 2023. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 60,053
Special reserve	\$ 21,605
Cash dividends	\$ 200,971
Cash dividends per share (NT\$)	0.9

The appropriation of earnings for 2022 is subject to resolution in the shareholders' meeting to be held in June 2023.

d. Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (138,101)	\$ (132,855)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(705)	(6,000)
Reclassification adjustments		
Disposal of foreign operations	-	754
Balance at December 31	\$ (138,806)	\$ (138,101)

e. Treasury shares

Purpose of Buy-back	Number of Shares, Beginning of the Year (In Thousands)	Shares Cancelled (In Thousands)	Number of Shares, End of the Year (In Thousands)
<u>For the Year Ended December 31, 2022</u>			
Shares transferred to employees	<u>4,525</u>	<u>(2,140)</u>	<u>2,385</u>
<u>For the Year Ended December 31, 2021</u>			
Shares transferred to employees	<u>4,525</u>	<u>-</u>	<u>4,525</u>

On January 8, 2022, the Company's board of directors resolved to cancel 2,140 thousand treasury shares overdue for 3 years that had not been transferred to employees with the base date of January 8, 2023.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. REVENUE

	<u>For the Year Ended December 31</u>		
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Revenue from contracts with customers			
Revenue from the sale of goods	<u>\$ 3,851,621</u>	<u>\$ 3,286,536</u>	
a. Contract balances			
	December 31, 2022	December 31, 2021	January 1, 2021
<u>Contract balances</u>			
Notes receivable and trade receivables	<u>\$ 829,867</u>	<u>\$ 949,310</u>	<u>\$ 670,169</u>
Contract liabilities			
Sale of goods	<u>\$ 15,398</u>	<u>\$ 29,235</u>	<u>\$ 29,592</u>

The changes in the contract balances primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment. Revenue that was recognized from the contract liability balance at the beginning of the year was \$26,355 thousand and \$26,103 thousand for the years ended December 31, 2022 and 2021, respectively.

b. Disaggregation of revenue

Details of disaggregation of revenue were disclosed in Statement 9.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Employee benefits			
Salaries and wages	\$ 291,169	\$ 72,534	\$ 363,703
Labor and health insurance costs	33,805	6,442	40,247
Post-employment benefits			
Defined contribution plans	10,302	2,810	13,112
Defined benefit plans	704	151	855
Remuneration of directors	-	4,504	4,504
Other employee benefits	19,863	3,730	23,593
Depreciation expenses	92,738	9,440	102,178
Amortization expenses	461	3,766	4,227

For the Year Ended December 31, 2021

Employee benefits			
Salaries and wages	289,404	74,837	364,241
Labor and health insurance costs	29,698	6,763	36,461
Post-employment benefits			
Defined contribution plans	9,080	2,835	11,915
Defined benefit plans	888	186	1,074
Remuneration of directors	-	4,065	4,065
Other employee benefits	19,392	3,881	23,273
Depreciation expenses	84,252	8,814	93,066
Amortization expenses	163	3,906	4,069

As of 2022 and 2021, the Company's average employee number was 777 and 726 employees, respectively. There were 4 directors who did not serve concurrently as employees for both years. The head counts were the same as those used as basis in the calculation of employee benefit expense.

As of 2022 and 2021, the average of employee benefits expense was \$571 thousand and \$605 thousand, respectively; as of 2022 and 2021, the average of employee salaries was \$471 thousand and \$505 thousand, respectively, and the change of the average employee salaries was decrease of 6.7%. The Company has set an audit committee in replace of supervisors.

The remuneration of the directors of the Company is handled in accordance with the amended Articles and the rules of compensation committee. The board of directors is authorized to decide the payment, which shall not exceed general pay levels in the industry, according to the value of one's contribution and the degree of participation in the Company's operations, and shall be approved by the compensation committee and the board of directors.

The remuneration of managerial officers and employees includes salaries, bonuses and remuneration for employees. According to the salary management procedures and related assessment operations management procedures, the remuneration policy is based on the department of an employee, the nature of one's work, current market salary standards, and thus reasonable remunerations will be given after evaluating individual degree of participation, value of contribution and performance.

b. Employees' compensation and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2%-10% and no higher than 10%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The' compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors in March 2023 and 2022, respectively, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	3.40%	\$ 25,073	3.80%	\$ 21,885
Remuneration of directors	0.45%	3,319	0.50%	2,880

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

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

c. Other income

	For the Year Ended December 31	
	2022	2021
Scrap income	\$ 6,395	\$ 4,936
Sale of samples	3,738	7,907
Others	<u>17,252</u>	<u>12,148</u>
	<u>\$ 27,385</u>	<u>\$ 24,991</u>

d. Other expenses

	For the Year Ended December 31	
	2022	2021
Losses on indemnifications	\$ 35,226	\$ -
Others	<u>677</u>	<u>321</u>
	<u>\$ 35,903</u>	<u>\$ 321</u>

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 168,628	\$ 48,313
Foreign exchange losses	<u>(89,041)</u>	<u>(89,761)</u>
Net gains (losses)	<u>\$ 79,587</u>	<u>\$ (41,448)</u>

21. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 124,934	\$ 74,637
Income tax on unappropriated earnings	7,718	-
Adjustments for prior years	<u>(4,272)</u>	<u>2,369</u>
	<u>128,380</u>	<u>77,006</u>
Deferred tax		
In respect of the current year	9,693	21,075
Adjustments for prior years	<u>1,649</u>	<u>5,726</u>
	<u>11,342</u>	<u>26,801</u>
Income tax expense recognized in profit or loss	<u>\$ 139,722</u>	<u>\$ 103,807</u>

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

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 141,687	\$ 110,233
Adjustment items effect on income tax		
Nondeductible expenses in determining taxable income	3,989	3,209
Tax-exempt income	(886)	(5,738)
Usage of investment credit	(10,163)	(11,992)
Income tax on unappropriated earnings	7,718	-
Adjustments for prior years' tax	<u>(2,623)</u>	<u>8,095</u>
Income tax expense recognized in profit or loss	<u>\$ 139,722</u>	<u>\$ 103,807</u>

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

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 31,076	\$ (6,597)	\$ -	\$ 24,479
Defined benefit obligations	7,272	(7,272)	-	-
Allowance for inventory devaluation	6,441	1,743	-	8,184
Others	<u>9,584</u>	<u>(5,578)</u>	<u>-</u>	<u>4,006</u>
	<u>\$ 54,373</u>	<u>\$ (17,704)</u>	<u>\$ -</u>	<u>\$ 36,669</u>

(Continued)

For the Year Ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 120,465	\$ (2,018)	\$ -	\$ 118,447
Defined benefit obligations	-	(5,300)	7,477	2,177
Land revaluation increment				
tax	9,875	-	-	9,875
Others	<u>83</u>	<u>956</u>	<u>-</u>	<u>1,039</u>
	<u>\$ 130,423</u>	<u>\$ (6,362)</u>	<u>\$ 7,477</u>	<u>\$ 131,538</u> (Concluded)

For the Year Ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 38,046	\$ (6,970)	\$ -	\$ 31,076
Defined benefit obligations	9,248	(2,340)	364	7,272
Allowance for inventory devaluation	6,377	64	-	6,441
Others	<u>6,760</u>	<u>2,824</u>	<u>-</u>	<u>9,584</u>
	<u>\$ 60,431</u>	<u>\$ (6,422)</u>	<u>\$ 364</u>	<u>\$ 54,373</u>

Deferred tax liabilities

Temporary differences				
Investment accounted for using the equity method	\$ 100,169	\$ 20,296	\$ -	\$ 120,465
Land revaluation increment				
tax	9,875	-	-	9,875
Others	<u>-</u>	<u>83</u>	<u>-</u>	<u>83</u>
	<u>\$ 110,044</u>	<u>\$ 20,379</u>	<u>\$ -</u>	<u>\$ 130,423</u>

c. Income tax assessments

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

22. EARNINGS PER SHARE

	Amounts (Numerator)	Number of Shares Denominator (In Thousands)	EPS (NT\$)
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 568,713	223,300	<u>\$ 2.55</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u> -</u>	<u> 1,444</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 568,713</u>	<u> 224,744</u>	<u>\$ 2.53</u>
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 447,359	223,300	<u>\$ 2.00</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u> -</u>	<u> 929</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 447,359</u>	<u> 224,229</u>	<u>\$ 2.00</u>

If the Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

	Opening Balance	Cash Flows	Non-cash Changes New Leases	Closing Balance
<u>For the year ended December 31, 2022</u>				
Lease liabilities	<u>\$ 13,462</u>	<u>\$ (2,792)</u>	<u>\$ -</u>	<u>\$ 10,670</u>

	Opening Balance	Cash Flows	Non-cash Changes New Leases	Closing Balance
<u>For the year ended December 31, 2021</u>				
Lease liabilities	<u>\$ 1,481</u>	<u>\$ (2,840)</u>	<u>\$ 14,821</u>	<u>\$ 13,462</u>

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

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

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

The following analysis details measurement of financial instruments since initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs, are observable.

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 98,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,469</u>
Financial assets at FVTOCI				
Listed shares	<u>\$ 51,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,303</u>
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 84,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,612</u>
Financial assets at FVTOCI				
Listed shares	<u>\$ 68,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,006</u>

There were no transfers between Level 1 and Level 2 in 2022 and 2021.

2) Fair value of financial instruments not measured at fair value

The future value of cash and cash equivalents, financial assets at amortized cost, notes receivable, notes payable, trade receivables and payables, other receivables and payables, and refundable deposits are close to their carrying amounts. The fair values have been estimated based on the carrying amounts on the balance sheet date.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,867,809	\$ 1,530,005
Financial assets at FVTPL	98,469	84,612
Financial assets at FVTOCI	51,303	68,006
<u>Financial liabilities</u>		
Amortized cost (2)	647,133	848,957

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, financial assets at amortized cost and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise trade payables and other payables.

c. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, equity investments, mutual funds, trade receivables, trade payables, and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are listed in Note 29.

Sensitivity analysis

The Company is mainly exposed to the USD, EUR and RMB.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars against the relevant foreign currencies. A positive number below indicates a decrease in pre-tax profit with the New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of the New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	Currency Impact	
	For the Year Ended December 31	
	2022	2021
USD	\$ 9,771	\$ 5,825
EUR	2,239	2,561
RMB	141	429

The results were mainly attributable to the exposures on outstanding cash and cash equivalents, financial assets at FVTPL, receivables and payables denominated in USD, EUR and RMB without applying cash flow hedges at the end of the year. The Group's sensitivity to foreign currency increased during the current year mainly due to trade receivables arising from large-scale sales denominated in USD.

b) Interest rate risk

The Company is exposed to interest rate risk because of deposits at both fixed and floating interest rates, cash equivalents, financial assets at amortized cost and lease liabilities.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 569,134	\$ 16,711
Financial liabilities	10,670	13,462
Cash flow interest rate risk		
Financial assets	172,995	300,008

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher and all other variables were held constant, the Company's pre-tax profit, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits, for the years ended December 31, 2022 and 2021 would have increased by \$432 thousand and \$750 thousand, respectively.

The Company's sensitivity to interest rates decreased during the current year mainly due to the decrease in floating interest rate bank deposits.

c) Other price risk

The Company is exposed to equity price risk through its investments in equity securities and mutual funds. If equity or mutual funds prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$985 thousand and \$846 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$513 thousand and \$680 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly available financial information and its own historical trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized bank loans facilities of \$400,000 thousand and \$200,000 thousand, respectively.

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

Non-derivative Financial Liabilities	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years
<u>December 31, 2022</u>			
Non-interest bearing	\$ 647,133	\$ -	\$ -
Lease liabilities	<u>788</u>	<u>2,379</u>	<u>8,053</u>
	<u>\$ 647,921</u>	<u>\$ 2,379</u>	<u>\$ 8,053</u>

Non-derivative Financial Liabilities	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years
<u>December 31, 2021</u>			
Non-interest bearing Lease liabilities	\$ 848,957 <u>781</u>	\$ - <u>2,356</u>	\$ - <u>11,220</u>
	<u>\$ 849,738</u>	<u>\$ 2,356</u>	<u>\$ 11,220</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party names and categories

<u>Related Party Names</u>	<u>Related Party Categories</u>
Lee Chi International	Subsidiary
Ever Glory Machinery (Kun Shan) Co., Ltd. ("Ever Glory")	Subsidiary
CGI	Subsidiary
COL (Note 12)	Subsidiary

b. Sales

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	<u>\$ 88,312</u>	<u>\$ 81,738</u>

The prices of other sales from the Company to subsidiaries are either equal to cost plus related necessary expenditures or referred to local market prices. The markup percentage of equipment which the Company sells to subsidiaries is 6%.

The general credit term was T/T 90-150 days and there were no unrelated parties with similar trade.

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries Ever Glory	<u>\$ 597,869</u>	<u>\$ 740,212</u>

The prices of the purchases by means of trilateral trades from subsidiaries were based on specific diversity of products and related market trends.

The term on purchases of goods was T/T 120 days after the transaction date and there were no unrelated parties with similar trade.

d. Receivables from related parties (excluding loans to related parties)

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Subsidiaries		
Ever Glory	\$ 39,309	\$ 22,951
CGI	<u>24,184</u>	<u>17,247</u>
	<u>\$ 63,493</u>	<u>\$ 40,198</u>

The outstanding trade receivables from related parties are unsecured.

e. Other receivables

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Subsidiaries	\$ <u>2,311</u>	\$ <u>2,952</u>

The receivables presented above consist of payment on behalf for postage and phone expenses, salary expenses and traveling expenses.

f. Payables to related parties

Related Party Categories/Name	December 31	
	2022	2021
Subsidiaries		
Ever Glory	\$ <u>286,414</u>	\$ <u>180,042</u>

The outstanding trade payables to related parties are unsecured.

g. Loans to related parties (accounted for as other receivables)

Related Party Categories	December 31	
	2022	2021
Subsidiaries		
CGI	\$ <u>289,625</u>	\$ <u>247,039</u>

The loan to related party presented above was not interest-bearing or secured. And there were no impairment loss, and expected credit loss recognized. Due to liquidation of COL in 2021, the loan to COL had been written off with the corresponding credit loss amounted to \$43,492 thousand.

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 12,436	\$ 12,067
Post-employment benefits	<u>131</u>	<u>132</u>
	<u>\$ 12,567</u>	<u>\$ 12,199</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for tariff on bonded warehouse and import of raw materials:

	<u>December 31</u>	
	2022	2021
Financial assets at amortized cost - non-current	\$ <u>1,673</u>	\$ <u>1,664</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments of the Company as of December 31, 2022 and 2021 were as follows:

	<u>December 31</u>	
	2022	2021
Acquisition of property, plant and equipment	\$ <u>18,491</u>	\$ <u>42,250</u>

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	<u>December 31, 2022</u>			<u>Carrying Amount</u>
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>		
<u>Financial assets</u>				
Monetary items				
USD	\$ 41,926	30.70	(USD:NTD)	\$ 1,287,128
EUR	7,309	32.74	(EUR:NTD)	239,297
RMB	3,200	4.409	(RMB:NTD)	14,109
Non-monetary items				
Investments accounted for using the equity method for subsidiaries				
USD	38,486	30.70	(USD:NTD)	1,181,516
<u>Financial liabilities</u>				
Monetary items				
USD	10,100	30.70	(USD:NTD)	310,070
EUR	471	32.74	(EUR:NTD)	15,421

(Continued)

		December 31, 2022			
		Foreign Currencies	Exchange Rate		Carrying Amount
<u>Financial liabilities</u>					
Non-monetary items					
Investments accounted for using the equity method for subsidiaries					
USD	\$	7,087	30.70	(USD:NTD)	\$ 217,570 (Concluded)
		December 31, 2021			
		Foreign Currencies	Exchange Rate		Carrying Amount
<u>Financial assets</u>					
Monetary items					
USD	\$	27,319	27.67	(USD:NTD)	\$ 755,917
EUR		8,410	31.33	(EUR:NTD)	263,485
RMB		9,878	4.345	(RMB:NTD)	42,920
Non-monetary items					
Investments accounted for using the equity method for subsidiaries					
USD		40,773	27.67	(USD:NTD)	1,128,196
<u>Financial liabilities</u>					
Monetary items					
USD		6,268	27.67	(USD:NTD)	173,436
EUR		236	31.33	(EUR:NTD)	7,394
Non-monetary items					
Investments accounted for using the equity method for subsidiaries					
USD		6,659	27.67	(USD:NTD)	184,242

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

		For the Year Ended December 31				
		2022		2021		
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)		Net Foreign Exchange Gain (Loss)		
		Exchange Rate	Exchange Rate			
USD	29.81 (USD:NTD)	\$ 22,130	28.01 (USD:NTD)	\$	(3,657)	
RMB	4.422 (RMB:NTD)	30	4.341 (RMB:NTD)		(710)	
EUR	31.36 (EUR:NTD)	7,586	33.16 (EUR:NTD)		(7,825)	

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held: Table 2
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 3
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 9) Trading in derivative instruments: None
- 10) Information on investees: Table 6

b. Information on investees: Table 6

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance (Note 3)	Actual Borrowing Amount	Range of Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
0	The Company	Ever Glory	Other receivables	Yes	\$ 7,086 (USD 220)	\$ 6,754 (USD 220)	\$ -	-	Short-term financing	\$ -	- Operating capital	\$ -	-	\$ -	\$ 811,330	\$ 1,622,659
		CGI	Other receivables	Yes	312,575 (USD 9,100) (NTD 19,471)	298,835 (USD 9,100) (NTD 19,471)	289,625 (USD 8,800) (NTD 19,471)	-	Short-term financing	-	- Operating capital	-	-	-	811,330	1,622,659
1	Lee Chi International	Ever Glory	Receivables from related parties	Yes	7,086 (USD 220)	6,754 (USD 220)	6,266 (USD 204)	-	Short-term financing	-	- Operating capital	-	-	-	360,725 (USD 11,750)	360,725 (USD 11,750)

Note 1: The financing amount of the Company should not exceed 20% of the Company's shareholders' equity; that of subsidiaries should not exceed 50% of the subsidiaries' shareholders' equity.

Note 2: The financing amount of the Company should not exceed 40% of the Company's shareholders' equity; that of subsidiaries should not exceed 50% of the subsidiaries' shareholders' equity.

Note 3: The ending balance amount has been approved by the board of directors.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	<u>Ordinary shares</u>						
	CTBC Financial Holding Co., Ltd	-	Financial assets at FVTOCI - current	2,143,455	\$ 47,370	-	\$ 47,370
	CHINA STEEL CORPORATION	-	Financial assets at FVTOCI - current	106,000	3,159	-	3,159
	YIEH PHUI ENTERPRISE CO., LTD.	-	Financial assets at FVTOCI - current	27,983	448	-	448
	YEM CHIO CO., LTD.	-	Financial assets at FVTOCI - current	20,615	297	-	297
	YANG MING MARINE TRANSPORT CORPORATION	-	Financial assets at FVTOCI - current	442	29	-	29
	CHUNGHWA PICTURE TUBES, LTD.	-	Financial assets at FVTOCI - current	213,024	-	-	-
	<u>Mutual funds</u>						
	Fuh Hwa Money Market Fund	-	Financial assets at FVTPL - current	3,626,408	53,045	-	53,045
	SinoPac TWD Money Market Fund	-	Financial assets at FVTPL - current	1,133,112	16,005	-	16,005
	JPM China Income Fund CNH Acc	-	Financial assets at FVTPL - current	115,465	7,927	-	7,927
	Fidelity Funds - Global Dividend Fund A-ACC-EUR (Hedged)	-	Financial assets at FVTPL - current	9,252	7,091	-	7,091
	FUH HWA CSI 300 A SHARES EXCHANGE TRADED FUND	-	Financial assets at FVTPL - current	120,000	2,918	-	2,918
	PineBridge ESG Quantitative Global Equity Fund A (CNH)	-	Financial assets at FVTPL - current	45,000	1,762	-	1,762
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	139,033	1,755	-	1,755
	Nomura Global Dyn Multi (CNY)	-	Financial assets at FVTPL - current	29,963	1,663	-	1,663
	Cathay China Domestic Demand Growth Fund USD	-	Financial assets at FVTPL - current	61,682	1,198	-	1,198
	PineBridge China A-Shares Quantitative Equity Fund A-CNY	-	Financial assets at FVTPL - current	25,000	1,141	-	1,141
	Fuh Hwa China New Economy A Shares Eq RMB	-	Financial assets at FVTPL - current	25,126	916	-	916
	Yuanta MSCI China A ETF	-	Financial assets at FVTPL - current	40,000	914	-	914
	Cathay High Dividend Taiwan Equity Fund A	-	Financial assets at FVTPL - current	54,765	851	-	851
	Yuanta Great China TMT Fund RMB	-	Financial assets at FVTPL - current	16,116	701	-	701
	Cathay China Emerging Industries Fund	-	Financial assets at FVTPL - current	31,935	582	-	582
Ever Glory	<u>Ordinary shares</u>						
	CDIB Yida Private Equity (Kunshan) (Limited Partnership)	-	Financial assets at FVTOCI - non-current	-	36,860	-	36,860

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
Chief Venture	<u>Ordinary shares</u>						
	DEXIN CORP.		Financial assets at FVTPL - current	3,453,315	\$ 46,102	9	\$ 46,102
	POWERCHIP SEMICONDUCTOR MANUFACTURING CORPORATION	-	Financial assets at FVTPL - current	1,050,000	33,442	-	33,442
	RUBY TECH CORPORATION	-	Financial assets at FVTPL - current	470,482	15,244	1	15,244
	G-TECH OPTOELECTRONICS CORPORATION	-	Financial assets at FVTPL - current	639,536	11,831	-	11,831
	FORWARD ELECTRONICS CO., LTD.	-	Financial assets at FVTPL - current	89,015	1,754	-	1,754
	POWERCHIP TECHNOLOGY CORPORATION	-	Financial assets at FVTPL - non-current	1,493,659	33,786	-	33,786
	ZIPCOM CORPORATION	-	Financial assets at FVTPL - non-current	113,100	-	11	-
	VACTRONICS TECHNOLOGIES INC.	-	Financial assets at FVTPL - non-current	58,111	5,371	-	5,371
	RUBY TECH CORPORATION	-	Financial assets at FVTOCI -current	227,630	7,375	-	7,375
	VACTRONICS TECHNOLOGIES INC.	-	Financial assets at FVTOCI - non-current	191,889	17,735	-	17,735
	SUPERALLOY INDUSTRIAL CO., LTD.	-	Financial assets at FVTOCI - non-current	173,800	7,510	-	7,510
	TERAWINS, INC.	-	Financial assets at FVTOCI - non-current	688,600	5,929	2	5,929
	SOLIDLITE CORPORATION	-	Financial assets at FVTOCI - non-current	200,000	1,052	1	1,052
	HCM CO., LTD.		Financial assets at FVTOCI - non-current	5,000	257	-	257

(Concluded)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
The Company	Mutual funds Fuh Hwa Money Market Fund	FVTPL- current	-	-	2,574,828	\$ 37,502	111,345,917	\$ 1,624,028	110,294,337	\$ 1,608,687	\$ 1,608,485	\$ 202	3,626,408	\$ 53,045

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of the Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment/Collection Terms	Unit Price	Collection Terms	Ending Balance	% of Total	
The Company	Ever Glory	(Note)	Purchases	\$ 597,869	36	T/T 120 days after the transaction date	The purchases are primarily by means of trilateral trades. The prices of these purchases were based on specific diversity of products and related market trends. There were no unrelated parties with similar trade.	There were no significant differences between other parties.	\$ (286,414)	(52)	
Ever Glory	The Company	(Note)	Sales	(597,869)	(33)	T/T 120 days after the transaction date			Selling prices were lower than those of unrelated parties.	There were no significant differences between other parties.	286,414

Note: See Note 12.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of the Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Action Taken		
The Company	CGI	(Note 2)	\$ 314,922 (Note 3)	1.49	\$ -	-	\$ -	\$ -
Ever Glory	The Company	(Note 2)	286,414	2.56	-	-	182,766	-

Note 1: The calculation of turnover rate did not take other receivables into account.

Note 2: See Note 12.

Note 3: It consists of trade receivables and other receivables.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	Lee Chi International	British Virgin Islands	Operating holding company and international investments	\$ 667,823	\$ 667,823	23,500,000	100	\$ 1,181,516	\$ 31,155	\$ 31,155	Subsidiary
	Chief Venture	Taipei	Investment	107,886	107,886	11,000,000	55	134,289	(30,017)	(16,509)	Subsidiary
	CGI	California, USA	Development, manufacture and sale of high-class bikes and bike components	122,395	122,395	4,000,000	100	(217,570)	(10,458)	(10,458)	Subsidiary

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Ever Glory	Manufacture and sale of cars, bikes, bike components and related machine elements.	RMB 83,240 (USD 10,000)	The reinvestment was made through Lee Chi International	\$ 472,610 (USD 16,190)	\$ -	\$ -	\$ 472,610 (USD 16,190)	\$ 46,037	100%	\$ 46,037	\$ 1,137,482	\$ 300,781

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
The Company	\$ 472,610 (USD 16,190)	\$ 733,321 (USD 24,157)	\$ 2,499,913

Note 1: The investment gain (loss) recognized by the Company was based on the audited financial statements by the same accounting firm as parent company in Taiwan, as of and for the year ended December 31, 2022.

Note 2: The upper limit on investment was in accordance with the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China".

TABLE 8**LEE CHI ENTERPRISES COMPANY LTD.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022****(In Shares)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust property account of Lee, Ye-Jung at the Taipei Branch of the United Bank of Switzerland	22,274,684	9.86
Le Wong Investment Co., Ltd.	22,047,000	9.76
Lin, Yu-Hsin	13,298,760	5.89

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

V. Statement on Consolidated Financial Statements Covering Affiliated Enterprises

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Lee Chi Enterprises Company Ltd. as of and for the year ended December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements of Lee Chi Enterprises Company Ltd. and Subsidiaries. Consequently, we did not prepare a separate set of combined financial statements.

Very truly yours,

Lee Chi Enterprises Company Ltd.

By:

Lin, Yu-Hsin
President

March 15, 2023

VI. Auditor’s Report and 2022 Consolidated Financial Statements

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
Lee Chi Enterprises Company Ltd.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group’s consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Revenue Recognition

The Company's operating revenue mainly comes from the manufacturing and sale of bicycle components. The operating revenue significantly increased due to the changes in market demand for bicycle components in 2022 compared to the previous year. However, the revenue from specific customers was significant to the overall operating revenue. We identified the validity of recognition of the revenue from specific customers as a key audit matter. For the accounting policy on the revenue recognition, refer to Note 4 to the consolidated financial statements.

The main audit procedures that we performed in respect of revenue from the specific customers included the following:

1. We evaluated the design and implementation of the related internal controls on revenue recognition and tested the operating effectiveness of the related controls.
2. We selected samples from the specific customers' subsidiary ledger of sales revenue, to verify related documents and receipts of payment and to confirm the validity of revenue recognition.

Other Matter

We have also audited the parent company only financial statements of Lee Chi Enterprises Company Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Li-wei Liu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2023

Notice to Readers

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

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

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,213,645	22	\$ 669,077	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	206,842	4	192,929	3
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	58,678	1	75,962	1
Financial assets at amortized cost - current (Notes 4 and 9)	-	-	86,900	2
Notes receivable (Notes 4, 10 and 19)	110,614	2	109,076	2
Trade receivables (Notes 4, 10 and 19)	903,358	17	1,291,341	23
Other receivables (Note 4)	3,152	-	25,875	-
Current tax assets (Note 4)	3,392	-	3,459	-
Inventories (Notes 4 and 11)	1,380,778	25	1,569,665	28
Other current assets	29,525	1	48,887	1
Total current assets	<u>3,909,984</u>	<u>72</u>	<u>4,073,171</u>	<u>72</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	39,157	1	75,093	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	69,343	1	81,401	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 27)	6,082	-	27,734	-
Property, plant and equipment (Notes 4 and 13)	1,197,534	22	1,175,687	21
Right-of-use assets (Notes 4 and 14)	47,903	1	51,705	1
Other intangible assets (Notes 4 and 15)	33,173	1	36,237	1
Goodwill (Note 4)	56,012	1	50,484	1
Deferred tax assets (Notes 4 and 21)	36,669	1	54,373	1
Net defined benefit assets - non-current (Notes 4 and 17)	10,884	-	-	-
Other non-current assets (Note 4)	19,477	-	53,737	1
Total non-current assets	<u>1,516,234</u>	<u>28</u>	<u>1,606,451</u>	<u>28</u>
TOTAL	<u>\$ 5,426,218</u>	<u>100</u>	<u>\$ 5,679,622</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	\$ 498,311	9	\$ 1,045,584	19
Other payables (Note 16)	267,112	5	314,544	6
Current tax liabilities (Note 4)	133,794	2	79,134	1
Lease liabilities - current (Notes 4 and 14)	2,904	-	2,765	-
Deferred revenue - current (Notes 4 and 16)	20,814	-	20,511	-
Other current liabilities (Notes 4, 16 and 19)	30,241	1	50,975	1
Total current liabilities	<u>953,176</u>	<u>17</u>	<u>1,513,513</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	131,538	3	130,423	2
Lease liabilities - non-current (Notes 4 and 14)	7,766	-	10,697	-
Deferred revenue - non-current (Notes 4 and 16)	167,085	3	185,303	3
Net defined benefit liabilities - non-current (Notes 4 and 17)	-	-	36,362	1
Guarantee deposits	132	-	130	-
Total non-current liabilities	<u>306,521</u>	<u>6</u>	<u>362,915</u>	<u>6</u>
Total liabilities	<u>1,259,697</u>	<u>23</u>	<u>1,876,428</u>	<u>33</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	2,256,850	42	2,278,250	40
Capital surplus	67,084	1	64,235	1
Retained earnings				
Legal reserve	328,978	6	284,080	5
Special reserve	99,652	2	123,882	2
Unappropriated earnings	1,446,017	26	1,044,799	19
Other equity	(121,257)	(2)	(99,652)	(2)
Treasury shares	(20,676)	-	(39,227)	(1)
Total equity attributable to owners of the Company	<u>4,056,648</u>	<u>75</u>	<u>3,656,367</u>	<u>64</u>
NON-CONTROLLING INTERESTS	<u>109,873</u>	<u>2</u>	<u>146,827</u>	<u>3</u>
Total equity	<u>4,166,521</u>	<u>77</u>	<u>3,803,194</u>	<u>67</u>
TOTAL	<u>\$ 5,426,218</u>	<u>100</u>	<u>\$ 5,679,622</u>	<u>100</u>

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

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 5,084,564	100	\$ 4,879,953	100
OPERATING COSTS (Notes 11 and 20)	<u>4,079,617</u>	<u>80</u>	<u>3,965,720</u>	<u>81</u>
GROSS PROFIT	<u>1,004,947</u>	<u>20</u>	<u>914,233</u>	<u>19</u>
OPERATING EXPENSES (Note 10)				
Selling and marketing expenses	156,096	3	161,382	3
General and administrative expenses	182,765	4	214,725	5
Research and development expenses	69,088	1	72,430	2
Expected credit loss (gain) (Notes 4 and 10)	<u>(957)</u>	<u>-</u>	<u>10,163</u>	<u>-</u>
Total operating expenses	<u>406,992</u>	<u>8</u>	<u>458,700</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>597,955</u>	<u>12</u>	<u>455,533</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)				
Finance costs	(343)	-	(205)	-
Interest income (Note 20)	8,114	-	8,866	-
Dividend income	11,824	-	7,774	-
Other income (Notes 16 and 20)	61,670	1	77,000	2
Gain (loss) on fair value changes of financial assets and liabilities at fair value through profit or loss	(57,425)	(1)	101,894	2
Other expenses (Note 20)	(35,787)	-	(1,302)	-
Foreign exchange gain (loss), net (Note 20)	<u>113,847</u>	<u>2</u>	<u>(46,949)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>101,900</u>	<u>2</u>	<u>147,078</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	699,855	14	602,611	12
INCOME TAX EXPENSE (Notes 4 and 21)	<u>144,650</u>	<u>3</u>	<u>108,588</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>555,205</u>	<u>11</u>	<u>494,023</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	%	Amount	%
Remeasurement of defined benefit plans (Note 17)	\$ 37,383	1	\$ (1,821)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(24,439)	(1)	40,000	1
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 21)	(7,477)	-	364	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 18)	<u>(705)</u>	<u>-</u>	<u>(5,096)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>4,762</u>	<u>-</u>	<u>33,447</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 559,967</u>	<u>11</u>	<u>\$ 527,470</u>	<u>11</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 568,713	11	\$ 447,359	9
Non-controlling interests	<u>(13,508)</u>	<u>-</u>	<u>46,664</u>	<u>1</u>
	<u>\$ 555,205</u>	<u>11</u>	<u>\$ 494,023</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 578,921	11	\$ 473,215	10
Non-controlling interests	<u>(18,954)</u>	<u>-</u>	<u>54,255</u>	<u>1</u>
	<u>\$ 559,967</u>	<u>11</u>	<u>\$ 527,470</u>	<u>11</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 2.55</u>		<u>\$ 2.00</u>	
Diluted	<u>\$ 2.53</u>		<u>\$ 2.00</u>	

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

(Concluded)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company(Note 18)										
	Share Capitals	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests (Note 12)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (Note 4)				
BALANCE AT JANUARY 1, 2021	\$ 2,278,250	\$ 64,235	\$ 265,642	\$ 135,847	\$ 680,443	\$ (132,855)	\$ 8,972	\$ (39,227)	\$ 3,261,307	\$ 106,072	\$ 3,367,379
Appropriation of 2020 earnings											
Legal reserve	-	-	18,438	-	(18,438)	-	-	-	-	-	-
Special reserve reversed	-	-	-	(11,965)	11,965	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(78,155)	-	-	-	(78,155)	-	(78,155)
Net profit for the year ended December 31, 2021	-	-	-	-	447,359	-	-	-	447,359	46,664	494,023
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,457)	(5,246)	32,559	-	25,856	7,591	33,447
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	445,902	(5,246)	32,559	-	473,215	54,255	527,470
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(13,500)	(13,500)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	3,082	-	(3,082)	-	-	-	-
BALANCE AT DECEMBER 31, 2021	2,278,250	64,235	284,080	123,882	1,044,799	(138,101)	38,449	(39,227)	3,656,367	146,827	3,803,194
Appropriation of 2021 earnings											
Legal reserve	-	-	44,898	-	(44,898)	-	-	-	-	-	-
Special reserve reversed	-	-	-	(24,230)	24,230	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(178,640)	-	-	-	(178,640)	-	(178,640)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	568,713	-	-	-	568,713	(13,508)	555,205
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	29,906	(705)	(18,993)	-	10,208	(5,446)	4,762
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	598,619	(705)	(18,993)	-	578,921	(18,954)	559,967
Cancelation of treasury shares	(21,400)	2,849	-	-	-	-	-	18,551	-	-	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	1,907	-	(1,907)	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(18,000)	(18,000)
BALANCE AT DECEMBER 31, 2022	\$ 2,256,850	\$ 67,084	\$ 328,978	\$ 99,652	\$ 1,446,017	\$ (138,806)	\$ 17,549	\$ (20,676)	\$ 4,056,648	\$ 109,873	\$ 4,166,521

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

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 699,855	\$ 602,611
Adjustments for:		
Depreciation expenses	172,484	165,747
Amortization expenses	4,496	4,222
Expected credit loss recognized (reversed) on trade receivables	(957)	10,163
Net loss (gain) on fair value changes of financial assets designated at fair value through profit or loss	57,425	(101,894)
Finance costs	343	205
Interest income	(8,114)	(8,866)
Dividend income	(11,824)	(7,774)
Gain on disposal of property, plant and equipment	(476)	(541)
Gain on disposal of investment	-	(754)
Write-down of inventories	850	322
Net loss (gain) on foreign currency exchange	1,790	8,964
Deferred revenue	(20,998)	(47,270)
Recognition (reversal) of provisions	(2,766)	2,115
Changes in operating assets and liabilities		
Notes receivable	(454)	40,265
Trade receivables	393,612	(316,864)
Other receivables	11,171	5,210
Inventories	199,825	(734,534)
Other current assets	21,371	(19,706)
Trade payables	(554,861)	295,648
Other payables	(48,164)	74,474
Provisions	(386)	(1,309)
Other current liabilities	(17,659)	(4,285)
Net defined benefit assets / liabilities	(9,863)	(9,438)
Cash (used in) generated from operations	886,700	(43,289)
Interest received	19,867	4,713
Dividends received	11,824	7,774
Interest paid	(343)	(205)
Income tax paid	(78,668)	(2,653)
Net cash generated from (used in) operating activities	<u>839,380</u>	<u>(33,660)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(465)	(11,026)
Proceeds from sale of financial assets at fair value through other comprehensive income	4,367	13,241
Proceeds from return of capital from financial assets at fair value through other comprehensive income	1,558	3,094
Purchase of financial assets at amortized cost	-	(4,376)
Proceeds from sale of financial assets at amortized cost	110,650	25,455

(Continued)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

	2022	2021
Purchase of financial assets at fair value through profit or loss	\$ (1,674,501)	\$ (1,347,867)
Proceeds from sale of financial assets at fair value through profit or loss	1,639,636	1,633,509
Payments for property, plant and equipment	(82,353)	(73,562)
Proceeds from disposal of property, plant and equipment	1,222	2,395
Increase in refundable deposits	(28)	(26)
Decrease in refundable deposits	21	99
Payments for intangible assets	(1,311)	(2,108)
Increase in prepayments for equipment	<u>(68,919)</u>	<u>(78,120)</u>
Net cash generated from (used in) investing activities	<u>(70,123)</u>	<u>160,708</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of the principal portion of lease liabilities	(2,792)	(2,840)
Dividends paid to owners of the Company	(178,640)	(78,155)
Dividends paid to non-controlling interests	<u>(18,000)</u>	<u>(13,500)</u>
Net cash used in financing activities	<u>(199,432)</u>	<u>(94,495)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(25,257)</u>	<u>3,795</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	544,568	36,348
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>669,077</u>	<u>632,729</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,213,645</u>	<u>\$ 669,077</u>

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

(Concluded)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Lee Chi Enterprises Company Ltd. (the “Company”) was incorporated in May 1973. It mainly manufactures and sells bike components and general machinery.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 1995.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 15, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12, Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

For the purpose of presenting consolidated financial statements, the financial statements of the Company and its foreign operations are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees. Such assets before reaching its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those goods and the cost of those goods are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

h. Goodwill

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

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

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

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

i. Intangible assets

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

j. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

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

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

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

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

a) Financial assets at FVTPL

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

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 25.

b) Financial assets at amortized cost

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

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

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

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

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

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

- i. Significant financial difficulty of the issuer or the borrower;

- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 12 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

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

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

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

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 150 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

Derivative financial instruments

The derivative financial instrument the Group entered into is option of exchange rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

1. Provisions

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

Provisions for the expected cost of warranty obligations to assure that sales contracts are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligation.

m. Revenue recognition

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

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

The Group recognizes revenue when customers obtain control of the promised goods which is when the goods are delivered to the customers' specified locations. Transaction price received is recognized as a contract liability until performance obligations are satisfied. Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and other allowances are generally made and adjusted based on historical experience and the consideration of varying contractual terms.

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

n. Leases

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

The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. The Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and technology, research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If a temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

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

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

3) Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 1,499	\$ 543
Checking accounts and demand deposits	366,530	548,623
Cash equivalents		
Time deposits	<u>845,616</u>	<u>119,911</u>
	<u>\$ 1,213,645</u>	<u>\$ 669,077</u>
 <u>Interest rate per annum (%)</u>		
Demand deposits	0.00-1.05	0.00-0.35
Time deposits	0.002-5.00	0.01-2.95

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	\$ 98,469	\$ 84,612
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>-</u>	<u>385</u>
	<u>98,469</u>	<u>84,997</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	<u>108,373</u>	<u>107,932</u>
	<u>\$ 206,842</u>	<u>\$ 192,929</u>
 <u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 39,157</u>	<u>\$ 75,093</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/RMB	2022.1.11	US\$500/RMB ¥3,215
	USD/RMB	2022.1.11	US\$300/RMB ¥1,928
	USD/RMB	2022.2.14	US\$500/RMB ¥3,222
	USD/RMB	2022.2.14	US\$300/RMB ¥1,932
	USD/RMB	2022.3.11	US\$400/RMB ¥2,563
	USD/RMB	2022.3.11	US\$100/RMB ¥641
	USD/RMB	2022.4.12	US\$400/RMB ¥2,568
	USD/RMB	2022.4.12	US\$100/RMB ¥642

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments	December 31	
	2022	2021
<u>Current</u>		
Domestic listed shares	\$ 58,678	\$ 75,962
<u>Non-current</u>		
Overseas limited partnership	\$ 36,860	\$ 37,861
Domestic unlisted shares	32,483	43,540
	\$ 69,343	\$ 81,401

These investments in equity instruments are held for medium to long-term strategic purposes, and the Group is expected to generate profit from its long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Company has signed a securities trust agreement with ChinaTrust Commercial Bank in September 2008, and deposited the securities in a trust account for lending and borrowing services. The period of agreement is 1 year. If either party fails to express the intent of modifying the agreement or terminating it in one month before expiration arrives, the agreement will be extended for 1 year automatically.

Listed Shares	December 31			
	2022		2021	
	Number of Shares (In Thousands)	Carrying Amount	Number of Shares (In Thousands)	Carrying Amount
CTBC Financial Holding Co., Ltd.	1,234	\$ 27,264	1,234	\$ 32,014

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturities of less than 12 months	\$ <u> -</u>	\$ <u> 86,900</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 12 months	\$ <u> 6,082</u>	\$ <u> 27,734</u>
<u>Interest rate per annum (%)</u>		
Current	-	4.18
Non-current	0.01-3.58	0.82-3.58

Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as collateral.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 110,614	\$ 109,076
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>
	<u>\$ 110,614</u>	<u>\$ 109,076</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 916,382	\$ 1,305,257
Less: Allowance for impairment loss	<u>(13,024)</u>	<u>(13,916)</u>
	<u>\$ 903,358</u>	<u>\$ 1,291,341</u>

a. Notes receivable

The aging of notes receivable for the Group was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Not past due	\$ 110,614	\$ 109,076
Past due	<u> -</u>	<u> -</u>
	<u>\$ 110,614</u>	<u>\$ 109,076</u>

b. Trade receivables

The average credit period of sales of goods was 90 to 150 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group adopts the simplified practice of IFRS 9 and measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

	Not Past Due	Less than 60 Days	61 to 150 Days	Over 150 Days	Total
<u>December 31, 2022</u>					
Expected credit loss rate	0%-0.06%	1%-5%	5%-50%	100%	
Gross carrying amount	\$ 836,199	\$ 64,886	\$ 5,980	\$ 9,317	\$ 916,382
Loss allowance (Lifetime ECLs)	<u>(1,561)</u>	<u>(1,359)</u>	<u>(787)</u>	<u>(9,317)</u>	<u>(13,024)</u>
Amortized cost	<u>\$ 834,638</u>	<u>\$ 63,527</u>	<u>\$ 5,193</u>	<u>\$ -</u>	<u>\$ 903,358</u>
<u>December 31, 2021</u>					
Expected credit loss rate	0%-0.06%	1%-5%	5%-50%	100%	
Gross carrying amount	\$ 1,199,221	\$ 82,437	\$ 17,507	\$ 6,092	\$ 1,305,257
Loss allowance (Lifetime ECLs)	<u>(1,644)</u>	<u>(2,099)</u>	<u>(4,081)</u>	<u>(6,092)</u>	<u>(13,916)</u>
Amortized cost	<u>\$ 1,197,577</u>	<u>\$ 80,338</u>	<u>\$ 13,426</u>	<u>\$ -</u>	<u>\$ 1,291,341</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 13,916	\$ 10,208
Impairment loss recognized (reversed)	(957)	10,163
Less: Amounts written off	(20)	(6,407)
Foreign exchange gains and losses	<u>85</u>	<u>(48)</u>
Balance at December 31	<u>\$ 13,024</u>	<u>\$ 13,916</u>

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 125,513	\$ 120,961
Work in progress	619,113	822,144
Semi-finished goods	423,492	453,755
Finished goods	209,392	146,787
Inventory in transit	<u>3,268</u>	<u>26,018</u>
	<u>\$ 1,380,778</u>	<u>\$ 1,569,665</u>

The following table details the cost of inventories recognized as cost of goods sold:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 4,040,900	\$ 3,964,145
Inventory write-downs	850	322
Unallocated production overhead	<u>37,867</u>	<u>1,253</u>
	<u>\$ 4,079,617</u>	<u>\$ 3,965,720</u>

Unallocated production overhead included expenditures resulting from factories shutdown of Ever Glory Machinery (Kun Shan) Co., Ltd. (Ever Glory) due to COVID-19 for the year ended December 31, 2022.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership (%)	
		2022	2021
The Company	Lee Chi International Holding Limited (B.V.I.) ("Lee Chi International")	100	100
	Chief Venture Capital Corp. ("Chief Venture")	55	55
	THE Cycle Group, Inc. ("CGI")	100	100
Lee Chi International	Ever Glory	100	100

To adjust the structure of the Group, Cycle Origins Ltd. ("COL") has been liquidated in 2021.

Refer to Tables 7 and 8 for information on the nature of business for each subsidiary.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests (%)	
	December 31	
	2022	2021
Chief Venture	45	45

Summarized financial information in respect of Chief Venture that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2022	2021
Current assets	\$ 187,785	\$ 255,426
Non-current assets	71,639	118,633
Current liabilities	<u>(15,262)</u>	<u>(47,777)</u>
Equity	<u>\$ 244,162</u>	<u>\$ 326,282</u>
Equity attributable to:		
Owners of Chief Venture	\$ 134,289	\$ 179,455
Non-controlling interests of Chief Venture	<u>109,873</u>	<u>146,827</u>
	<u>\$ 244,162</u>	<u>\$ 326,282</u>
	For the Year Ended December 31	
	2022	2021
Net income (loss) for the year	\$ (30,017)	\$ 68,787
Other comprehensive income for the year	<u>(12,103)</u>	<u>16,533</u>
Total comprehensive income for the year	<u>\$ (42,120)</u>	<u>\$ 85,320</u>
Net income (loss) attributable to:		
Owners of Chief Venture	\$ (16,509)	\$ 37,832
Non-controlling interests of Chief Venture	<u>(13,508)</u>	<u>30,955</u>
	<u>\$ (30,017)</u>	<u>\$ 68,787</u>
Total comprehensive income (loss) attributable to:		
Owners of Chief Venture	\$ (23,166)	\$ 46,926
Non-controlling interests of Chief Venture	<u>(18,954)</u>	<u>38,394</u>
	<u>\$ (42,120)</u>	<u>\$ 85,320</u>

(Continued)

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

Cash inflow (outflow) from:		
Operating activities	\$ (16,438)	\$ (1,477)
Investing activities	(11,076)	103,399
Financing activities	<u>(40,000)</u>	<u>(30,000)</u>
Net cash inflow (outflow)	<u>\$ (67,514)</u>	<u>\$ 71,922</u>
Dividends paid to non-controlling interests		
Chief venture	<u>\$ 18,000</u>	<u>\$ 13,500</u> (Concluded)

13. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>						
Land	\$ 216,900	\$ -	\$ -	\$ 41,893	\$ -	\$ 258,793
Land improvements	15,277	-	-	-	-	15,277
Buildings	931,685	570	(1,589)	14,594	7,286	952,546
Machinery and equipment	913,293	48,897	(42,634)	39,830	7,679	967,065
Molding equipment	29,252	8,530	(2,717)	1,753	229	37,047
Transportation equipment	21,884	5,088	(1,345)	1,587	64	27,278
Office equipment	28,373	906	(2,186)	62	802	27,957
Other equipment	<u>100,424</u>	<u>10,112</u>	<u>(10,791)</u>	<u>5,979</u>	<u>352</u>	<u>106,076</u>
	2,257,088	74,103	(61,262)	105,698	16,412	2,392,039
Property in construction	<u>9,246</u>	<u>7,117</u>	<u>-</u>	<u>(2,022)</u>	<u>-</u>	<u>14,341</u>
	<u>2,266,334</u>	<u>\$ 81,220</u>	<u>\$ (61,262)</u>	<u>\$ 103,676</u>	<u>\$ 16,412</u>	<u>2,406,380</u>
<u>Accumulated depreciation</u>						
Land improvements	5,120	\$ 1,238	\$ -	\$ -	\$ -	6,358
Buildings	444,029	44,336	(1,589)	-	3,503	490,279
Machinery and equipment	549,394	92,712	(41,888)	-	5,963	606,181
Molding equipment	19,658	6,617	(2,717)	-	204	23,762
Transportation equipment	8,786	4,068	(1,345)	-	45	11,554
Office equipment	18,127	3,975	(2,186)	-	656	20,572
Other equipment	<u>45,533</u>	<u>15,167</u>	<u>(10,791)</u>	<u>-</u>	<u>231</u>	<u>50,140</u>
	<u>1,090,647</u>	<u>\$ 168,113</u>	<u>\$ (60,516)</u>	<u>\$ -</u>	<u>\$ 10,602</u>	<u>1,208,846</u>
	<u>\$ 1,175,687</u>					<u>\$ 1,197,534</u>

For the Year Ended December 31, 2021

	Beginning Balance	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>						
Land	\$ 216,900	\$ -	\$ -	\$ -	\$ -	\$ 216,900
Land improvements	12,677	1,304	-	1,296	-	15,277
Buildings	934,389	1,811	(1,159)	652	(4,008)	931,685
Machinery and equipment	870,273	36,375	(30,169)	40,396	(3,582)	913,293
Molding equipment	26,563	5,407	(4,232)	1,635	(121)	29,252
Transportation equipment	18,509	7,331	(5,243)	1,313	(26)	21,884
Office equipment	27,901	4,643	(4,989)	1,143	(325)	28,373
Other equipment	87,826	15,688	(8,922)	6,014	(182)	100,424
	<u>2,195,038</u>	<u>72,559</u>	<u>(54,714)</u>	<u>52,449</u>	<u>(8,244)</u>	<u>2,257,088</u>
Property in construction	8,356	6,740	-	(5,850)	-	9,246
	<u>2,203,394</u>	<u>\$ 79,299</u>	<u>\$ (54,714)</u>	<u>\$ 46,599</u>	<u>\$ (8,244)</u>	<u>2,266,334</u>
<u>Accumulated depreciation</u>						
Land improvements	4,082	\$ 1,038	\$ -	\$ -	\$ -	5,120
Buildings	405,856	41,054	(1,159)	-	(1,722)	444,029
Machinery and equipment	487,850	93,380	(29,323)	-	(2,513)	549,394
Molding equipment	18,271	5,718	(4,232)	-	(99)	19,658
Transportation equipment	10,808	3,243	(5,243)	-	(22)	8,786
Office equipment	18,493	3,861	(3,981)	-	(246)	18,127
Other equipment	41,335	13,221	(8,922)	-	(101)	45,533
	<u>986,695</u>	<u>\$ 161,515</u>	<u>\$ (52,860)</u>	<u>\$ -</u>	<u>\$ (4,703)</u>	<u>1,090,647</u>
	<u>\$ 1,216,699</u>					<u>\$ 1,175,687</u>

For the demand of future business expansion, the Company purchased agricultural land of Kuaiguan, Changhua City. Due to restrictions of law, the Company was not able to register under the name of Lee Chi Enterprises Company Ltd. Therefore, the land is registered under the name of the chairman of the Company, Lin, Yu-Hsin, or the vice president, Lin, Yi-Hsien. The land was mortgaged to the Company in full amount.

In addition, the land in Shipai Section, Changhua City is registered under the name of the chairman of the Company, Lin, Yu-Hsin due to law restrictions. The Company has signed an agreement with him that he is not allowed to transfer or set other rights without the Company's consent. As of December 31, 2022 and 2021, the carrying amount of land registered under the name of other individuals was \$145,689 thousand and \$103,796 thousand, respectively.

No impairment loss was recognized or reversed for the years ended December 31, 2022 and 2021.

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

Land improvements	5-20 years
Buildings	
Main buildings	16-36 years
Others	2-20 years
Machinery and equipment	1-10 years
Molding equipment	1-5 years
Transportation equipment	3-6 years
Office equipment	1-7 years
Other equipment	2-16 years

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Land	\$ 37,528	\$ 38,366
Buildings	<u>10,375</u>	<u>13,339</u>
	<u>\$ 47,903</u>	<u>\$ 51,705</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	\$ <u>-</u>	\$ <u>14,821</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,407	\$ 1,381
Buildings	<u>2,964</u>	<u>2,851</u>
	<u>\$ 4,371</u>	<u>\$ 4,232</u>

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

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amounts</u>		
Current	\$ <u>2,904</u>	\$ <u>2,765</u>
Non-current	\$ <u>7,766</u>	\$ <u>10,697</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Buildings	2.82%	2.82%

c. Material leasing activities and terms

Ever Glory has land use rights for assets which are located at south side of Honghu Road and east side of Xinxing Road, Kunshan Development Area, Jiangsu Province, mainland China. The rights were acquired in August 2009, and the period of the land use rights is 38 years. The acquired lots are used for building factories, office buildings and staff dormitory. The Company also leases buildings for the use of plants with lease term of 5 years.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 63	\$ 63
Expenses relating to low-value asset leases	\$ 688	\$ 676
Total cash outflow for leases	<u>\$ (3,886)</u>	<u>\$ (3,784)</u>

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

15. OTHER INTANGIBLE ASSETS

	For the Year Ended December 31, 2022			
	Beginning Balance	Additions	Effects of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>				
Patents	\$ 41,273	\$ -	\$ -	\$ 41,273
Computer software	15,632	1,311	418	17,361
Others	<u>1,426</u>	<u>-</u>	<u>156</u>	<u>1,582</u>
	<u>58,331</u>	<u>\$ 1,311</u>	<u>\$ 574</u>	<u>60,216</u>
<u>Accumulated amortization</u>				
Patents	12,038	\$ 2,064	\$ -	14,102
Computer software	9,580	2,330	398	12,308
Others	<u>476</u>	<u>102</u>	<u>55</u>	<u>633</u>
	<u>22,094</u>	<u>\$ 4,496</u>	<u>\$ 453</u>	<u>27,043</u>
	<u>\$ 36,237</u>			<u>\$ 33,173</u>

	For the Year Ended December 31, 2021			
	Beginning Balance	Additions	Effects of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>				
Patents	\$ 41,273	\$ -	\$ -	\$ 41,273
Computer software	13,631	2,108	(107)	15,632
Others	<u>1,467</u>	<u>-</u>	<u>(41)</u>	<u>1,426</u>
	<u>56,371</u>	<u>\$ 2,108</u>	<u>\$ (148)</u>	<u>58,331</u>

(Continued)

For the Year Ended December 31, 2021

	Beginning Balance	Additions	Effects of Foreign Currency Exchange Differences	Ending Balance
<u>Accumulated amortization</u>				
Patents	\$ 9,975	\$ 2,063	\$ -	\$ 12,038
Computer software	7,621	2,063	(104)	9,580
Others	<u>392</u>	<u>96</u>	<u>(12)</u>	<u>476</u>
	<u>17,988</u>	<u>\$ 4,222</u>	<u>\$ (116)</u>	<u>22,094</u>
	<u>\$ 38,383</u>			<u>\$ 36,237</u> (Concluded)

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Patents	20 years
Computer software	2-10 years
Others	15 years

**For the Year Ended
December 31**

	2022	2021
<u>An analysis of amortization by function</u>		
Operating costs	\$ 461	\$ 163
Selling and marketing expenses	32	32
General and administrative expenses	1,226	1,026
Research and development expenses	<u>2,777</u>	<u>3,001</u>
	<u>\$ 4,496</u>	<u>\$ 4,222</u>

16. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Other payables</u>		
Payables for salaries	\$ 78,179	\$ 101,238
Payables for indemnifications	35,226	-
Payables for compensation of employees	25,073	21,961
Payables for purchases of equipment	14,098	15,201
Payables for commission	8,066	5,510
Payables for remuneration of directors	3,319	5,157
Others	<u>103,151</u>	<u>165,477</u>
	<u>\$ 267,112</u>	<u>\$ 314,544</u> (Continued)

	December 31	
	2022	2021
<u>Other current liabilities</u>		
Contract liabilities	\$ 16,550	\$ 31,762
Provisions	2,291	5,443
Others	<u>11,400</u>	<u>13,770</u>
	<u>\$ 30,241</u>	<u>\$ 50,975</u>
		(Concluded)

The provisions for warranty claims represent the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties. The estimate had been made on the basis of historical warranty trends.

	December 31	
	2022	2021
<u>Deferred revenue</u>		
Current	\$ 20,814	\$ 20,511
Non-current	<u>167,085</u>	<u>185,303</u>
	<u>\$ 187,899</u>	<u>\$ 205,814</u>

The movements of deferred revenue were as follows:

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 205,814	\$ 255,198
Reclassified as other revenue	(20,998)	(47,270)
Foreign exchange gains and losses	<u>3,083</u>	<u>(2,114)</u>
Balance at December 31	<u>\$ 187,899</u>	<u>\$ 205,814</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of Ever Glory participate in the social insurance plan, which is managed and coordinated by Chinese government. The defined contribution plans provide the government with endowment insurance expenses to manage the social insurance plan.

Chief Venture and Lee Chi International are investments or holding companies; therefore, these companies are not required to establish a retirement policy.

CGI has not established a retirement plan.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 145,822	\$ 173,356
Fair value of plan assets	<u>(156,706)</u>	<u>(136,994)</u>
Net defined benefit liabilities (assets)	<u>\$ (10,884)</u>	<u>\$ 36,362</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 178,404</u>	<u>\$ (134,425)</u>	<u>\$ 43,979</u>
Service cost			
Current service cost	881	-	881
Net interest expense (income)	<u>876</u>	<u>(683)</u>	<u>193</u>
Recognized in profit or loss	<u>1,757</u>	<u>(683)</u>	<u>1,074</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,688)	(1,688)
Actuarial loss (gain)			
- Changes in demographic assumptions	3,879	-	3,879
- Changes in financial assumptions	(1,934)	-	(1,934)
- Experience adjustments	<u>1,564</u>	<u>-</u>	<u>1,564</u>
Recognized in other comprehensive income	<u>3,509</u>	<u>(1,688)</u>	<u>1,821</u>
Contributions from the employer	-	(10,512)	(10,512)
Benefits paid	<u>(10,314)</u>	<u>10,314</u>	<u>-</u>
Balance at December 31, 2021	<u>173,356</u>	<u>(136,994)</u>	<u>36,362</u>
Service cost			
Current service cost	664	-	664
Net interest expense (income)	<u>1,084</u>	<u>(893)</u>	<u>191</u>
Recognized in profit or loss	<u>1,748</u>	<u>(893)</u>	<u>855</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (10,627)	\$ (10,627)
Actuarial gain			
- Changes in financial assumptions	(7,787)	-	(7,787)
- Experience adjustments	(18,969)	-	(18,969)
Recognized in other comprehensive income	<u>(26,756)</u>	<u>(10,627)</u>	<u>(37,383)</u>
Contributions from the employer	-	(10,718)	(10,718)
Benefits paid	<u>(2,526)</u>	<u>2,526</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 145,822</u>	<u>\$ (156,706)</u>	<u>\$ (10,884)</u> (Concluded)

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

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

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

	December 31	
	2022	2021
Discount rate	1.25%	0.63%
Expected rate of salary increase	2.00%	2.00%

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (2,946)</u>	<u>\$ (3,843)</u>
0.25% decrease	<u>\$ 3,040</u>	<u>\$ 3,977</u>

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Expected rate of salary increase		
0.25% increase	\$ 2,965	\$ 3,855
0.25% decrease	\$ (2,887)	\$ (3,745)
		(Concluded)

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Expected contributions to the plans for the next year	\$ 8,219	\$ 11,633
Average duration of the defined benefit obligation	8.2 years	9 years

18. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Shares authorized (in thousands of shares)	236,824	236,824
Shares authorized (in thousands of dollars)	\$ 2,368,240	\$ 2,368,240
Shares issued and fully paid (in thousands of shares)	225,685	227,825
Shares issued and fully paid (in thousands of dollars)	\$ 2,256,850	\$ 2,278,250

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Issuance of ordinary shares	\$ 37,245	\$ 37,598
The difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual acquisition	26,225	26,225
Treasury share transactions	3,202	-
Donations	412	412
	<u>\$ 67,084</u>	<u>\$ 64,235</u>

The capital surplus from shares issued in excess of par, the difference between consideration received or paid and the carrying amount of subsidiaries' net assets during actual acquisition, treasury share transactions and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

The Company's dividends policy is in accordance with current and future plans of development, taking into account of investment environment, demand of capital, domestic and international market competition and interest of shareholders. The appropriation of earnings is based on the Company's dividends policy. Shareholders' dividends can be distributed in the form of cash or shares and the cash dividends distributed shall not be less than 10% of the total dividends distributed. However, if cash dividends to be distributed is less than \$0.5 per share, such cash dividends shall be distributed in the form of ordinary shares. The form and percentage of dividends distributed depend on actual earnings and situation of capital of current year and would be adjusted based on the resolution of shareholders' meeting.

The legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

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

	For the Year Ended December 31	
	2021	2020
Legal reserve	<u>\$ 44,898</u>	<u>\$ 18,348</u>
Special reserve reversed	<u>\$ (24,230)</u>	<u>\$ (11,965)</u>
Cash dividends	<u>\$ 178,640</u>	<u>\$ 78,155</u>
Cash dividends per share (NT\$)	0.80	0.35

The appropriation of earnings for 2022, which was proposed by the Company's board of directors in March 2023 was as follows:

	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 60,053</u>
Special reserve	<u>\$ 21,605</u>
Cash dividends	<u>\$ 200,971</u>
Cash dividends per share (NT\$)	0.9

The appropriation of earnings for 2022 is subject to resolution in the shareholders' meeting to be held in June 2023.

- d. Exchange differences on the translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (138,101)	\$ (132,855)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(705)	(6,000)
Reclassification adjustments		
Disposal of foreign operations	<u>-</u>	<u>754</u>
Balance at December 31	<u>\$ (138,806)</u>	<u>\$ (138,101)</u>

- e. Treasury shares

Purpose of Buy-back	Number of Shares, Beginning of the Year (In Thousands)	Shares Cancelled (In Thousands)	Number of Shares, End of the Year (In Thousands)
<u>For the Year Ended December 31, 2022</u>			
Shares transferred to employees	<u>4,525</u>	<u>(2,140)</u>	<u>2,385</u>
<u>For the Year Ended December 31, 2021</u>			
Shares transferred to employees	<u>4,525</u>	<u>-</u>	<u>4,525</u>

On January 8, 2022, the Company's board of directors resolved to cancel 2,140 thousand treasury shares overdue for 3 years that had not been transferred to employees with the base date of January 8, 2023.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 5,084,564</u>	<u>\$ 4,879,953</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
<u>Contract balances</u>			
Notes receivable and trade receivables	<u>\$ 1,013,972</u>	<u>\$ 1,400,417</u>	<u>\$ 1,147,266</u>
Contract liabilities			
Sale of goods	<u>\$ 16,550</u>	<u>\$ 31,762</u>	<u>\$ 32,103</u>

The changes in the contract balances primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment. Revenue that was recognized from the contract liability balance at the beginning of the year was \$28,882 thousand and \$28,615 thousand for the years ended December 31, 2022 and 2021, respectively.

b. Disaggregation of revenue

Details of disaggregation of revenue were disclosed in Note 31.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits expense, depreciation and amortization expenses

	Operating Costs	Operating Expenses	Total
<u>For the Year Ended December 31, 2022</u>			
Employee benefits			
Salaries and wages	\$ 471,242	\$ 142,318	\$ 613,560
Post-employment benefits			
Defined contribution plans	38,878	6,769	45,647
Defined benefit plans	704	151	855
Other employee benefits	92,358	31,065	123,423
Depreciation expenses	139,816	32,668	172,484
Amortization expenses	461	4,035	4,496
<u>For the Year Ended December 31, 2021</u>			
Employee benefits			
Salaries and wages	526,539	148,476	675,015
Post-employment benefits			
Defined contribution plans	33,145	6,022	39,167
Defined benefit plans	888	186	1,074
Other employee benefits	86,658	33,990	120,648
Depreciation expenses	138,456	27,291	165,747
Amortization expenses	162	4,060	4,222

b. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2%-10% and no higher than 10%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The' compensation of employees and remuneration of

directors for the years ended December 31, 2022 and 2021, which have been approved by the Company's board of directors in March 2023 and 2022, respectively, were as follows:

	For the Year Ended December 31			
	2022		2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	3.40%	\$ 25,073	3.80%	\$ 21,885
Remuneration of directors	0.45%	3,319	0.50%	2,880

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

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

c. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 6,592	\$ 4,252
Financial assets at amortized cost	1,522	4,548
Financial assets at FVTPL	<u>-</u>	<u>66</u>
	<u>\$ 8,114</u>	<u>\$ 8,866</u>

d. Other income

	For the Year Ended December 31	
	2022	2021
Government grants	\$ 20,998	\$ 47,270
Scrap income	6,395	7,907
Sale of samples	3,738	4,936
Others	<u>30,539</u>	<u>16,887</u>
	<u>\$ 61,670</u>	<u>\$ 77,000</u>

e. Other expenses

	For the Year Ended December 31	
	2022	2021
Losses on indemnifications	\$ 35,226	\$ -
Others	<u>904</u>	<u>1,507</u>
	<u>\$ 36,130</u>	<u>\$ 1,507</u>

f. Gain or loss on foreign exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 204,513	\$ 48,417
Foreign exchange losses	<u>(90,666)</u>	<u>(95,366)</u>
Net gains (losses)	<u>\$ 113,847</u>	<u>\$ (46,949)</u>

21. INCOME TAXES

a. Major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 124,935	\$ 78,094
Income tax on unappropriated earnings	8,919	1,324
Adjustments for prior years	<u>(546)</u>	<u>2,369</u>
	<u>133,308</u>	<u>81,787</u>
Deferred tax		
In respect of the current year	9,693	21,075
Adjustments for prior years	<u>1,649</u>	<u>5,726</u>
	<u>11,342</u>	<u>26,801</u>
Income tax expense recognized in profit or loss	<u>\$ 144,650</u>	<u>\$ 108,588</u>

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

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 145,342	\$ 120,522
Nondeductible expenses in determining taxable income	16,957	3,579
Tax-exempt income	(9,371)	(23,887)
Unrecognized deductible temporary differences and loss carryforwards	(8,137)	3,065
Usage of investment credit	(10,163)	(26,767)
Deferred tax effect of earnings of subsidiaries	-	19,200
Additional income tax under the Alternative Minimum Tax Act	-	3,457
Income tax on unappropriated earnings	8,919	1,324
Adjustments for prior years' tax	<u>1,103</u>	<u>8,095</u>
Income tax expense recognized in profit or loss	<u>\$ 144,650</u>	<u>\$ 108,588</u>

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

For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 31,076	\$ (6,597)	\$ -	\$ 24,479
Defined benefit obligations	7,272	(7,272)	-	-
Allowance for inventory devaluation	6,441	1,743	-	8,184
Others	<u>9,584</u>	<u>(5,578)</u>	<u>-</u>	<u>4,006</u>
	<u>\$ 54,373</u>	<u>\$ (17,704)</u>	<u>\$ -</u>	<u>\$ 36,669</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 120,465	\$ (2,018)	\$ -	\$ 118,447
Defined benefit obligation	-	(5,300)	7,477	2,177
Land revaluation increment tax	9,875	-	-	9,875
Others	<u>83</u>	<u>956</u>	<u>-</u>	<u>1,039</u>
	<u>\$ 130,423</u>	<u>\$ (6,362)</u>	<u>\$ 7,477</u>	<u>\$ 131,538</u>
For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 38,046	\$ (6,970)	\$ -	\$ 31,076
Defined benefit obligations	9,248	(2,340)	364	7,272
Allowance for inventory devaluation	6,377	64	-	6,441
Others	<u>6,760</u>	<u>2,824</u>	<u>-</u>	<u>9,584</u>
	<u>\$ 60,431</u>	<u>\$ (6,422)</u>	<u>\$ 364</u>	<u>\$ 54,373</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 100,169	\$ 20,296	\$ -	\$ 120,465
Land revaluation increment tax	9,875	-	-	9,875
Others	<u>-</u>	<u>83</u>	<u>-</u>	<u>83</u>
	<u>\$ 110,044</u>	<u>\$ 20,379</u>	<u>\$ -</u>	<u>\$ 130,423</u>

- c. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Loss carryforwards		
Expiry in 2022	\$ -	\$ 14,197
Expiry in 2024	37,827	57,026
Expiry in 2031	<u>7,006</u>	<u>7,006</u>
	<u>\$ 44,833</u>	<u>\$ 78,229</u>
Deductible temporary differences		
Impairment loss on equity investment	<u>\$ -</u>	<u>\$ 17,360</u>

- d. Income tax assessments

Income tax returns through 2020 of the Company and Chief Venture have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Amounts (Numerator)	Number of Shares Denominator (In Thousands)	EPS (NT\$)
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 568,713	223,300	<u>\$ 2.55</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>1,444</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 568,713</u>	<u>224,744</u>	<u>\$ 2.53</u>
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 447,359	223,300	<u>\$ 2.00</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>929</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 447,359</u>	<u>224,229</u>	<u>\$ 2.00</u>

If the Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

	Opening Balance	Cash Flows	Non-cash Changes New Leases	Closing Balance
<u>For the year ended December 31, 2022</u>				
Lease liabilities	\$ 13,462	\$ (2,792)	\$ -	\$ 10,670
<u>For the year ended December 31, 2021</u>				
Lease liabilities	\$ 1,481	\$ (2,840)	\$ 14,821	\$ 13,462

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

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

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on recurring basis

1) Fair value hierarchy

The following analysis details measurement of financial instruments since initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs, are observable.

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Listed shares	\$ 108,373	\$ -	\$ -	\$ 108,373
Mutual funds	98,469	-	-	98,469
Unlisted shares	<u>-</u>	<u>-</u>	<u>39,157</u>	<u>39,157</u>
	<u>\$ 206,842</u>	<u>\$ -</u>	<u>\$ 39,157</u>	<u>\$ 245,999</u>
Financial assets at FVTOCI				
Listed shares	\$ 58,678	\$ -	\$ -	\$ 58,678
Overseas limited partnership	-	-	36,860	36,860
Unlisted shares	<u>-</u>	<u>-</u>	<u>32,483</u>	<u>32,483</u>
	<u>\$ 58,678</u>	<u>\$ -</u>	<u>\$ 69,343</u>	<u>\$ 128,021</u>
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 107,932	\$ -	\$ -	\$ 107,932
Mutual funds	84,612	-	-	84,612
Unlisted shares	-	-	75,093	75,093
Foreign exchange forward contracts	<u>-</u>	<u>385</u>	<u>-</u>	<u>385</u>
	<u>\$ 192,544</u>	<u>\$ 385</u>	<u>\$ 75,093</u>	<u>\$ 268,022</u>
Financial assets at FVTOCI				
Listed shares	\$ 75,962	\$ -	\$ -	\$ 75,962
Unlisted shares	-	-	43,540	43,540
Overseas limited partnership	<u>-</u>	<u>-</u>	<u>37,861</u>	<u>37,861</u>
	<u>\$ 75,962</u>	<u>\$ -</u>	<u>\$ 81,401</u>	<u>\$ 157,363</u>

There were no transfers between Level 1 and Level 2 in 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	Equity Instruments		
	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
<u>For the Year Ended December 31, 2022</u>			
Balance at January 1, 2022	\$ 75,093	\$ 81,401	\$ 156,494
Recognized in profit or loss	(6,425)	-	(6,425)
Recognized in other comprehensive income	-	(11,522)	(11,522)
Reclassification	(36,392)	-	(36,392)
Purchases	6,881	465	7,346
Sales	-	(1,558)	(1,558)
Effects on exchange rate changes	-	557	557
Balance at December 31, 2022	<u>\$ 39,157</u>	<u>\$ 69,343</u>	<u>\$ 108,500</u>
<u>For the Year Ended December 31, 2021</u>			
Balance at January 1, 2021	\$ 176,400	\$ 59,933	\$ 236,333
Recognized in profit or loss	38,944	-	38,944
Recognized in other comprehensive income	-	13,829	13,829
Reclassification	(24,841)	-	(24,841)
Purchases	8,649	11,026	19,675
Sales	(124,059)	(3,094)	(127,153)
Effects on exchange rate changes	-	(293)	(293)
Balance at December 31, 2021	<u>\$ 75,093</u>	<u>\$ 81,401</u>	<u>\$ 156,494</u>

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract rates, discounted at a rate that reflects the credit risk of various counterparties.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of equity investments were determined by using market approach and asset-based approach. The significant unobservable inputs were the discount rate for lack of marketability. If the discount rate for lack of marketability to the valuation model increased to reflect reasonably possible alternative assumptions while all other variables held constant, the fair value of the abovementioned investments would have decreased.

b. Fair value of financial instruments not measured at fair value

The future value of cash and cash equivalents, financial assets at amortized cost, notes receivable, notes payable, trade receivables and payables, other receivables and payables, and refundable deposits are close to their carrying amounts. The fair values have been estimated based on the carrying amounts on the balance sheet date.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,241,008	\$ 2,214,104
Financial assets at FVTPL	245,999	268,022
Financial assets at FVTOCI	128,021	157,363

Financial liabilities

Financial liabilities at amortized cost (2)	658,984	1,231,902
---	---------	-----------

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, financial assets at amortized cost and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, debt and equity investments, mutual funds, derivative instruments, trade receivables, trade payables and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation), and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 29.

Sensitivity analysis

The Group is mainly exposed to the USD, EUR and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. A positive number below indicates a decrease in pre-tax profit with the functional currency strengthen 1% against the relevant currency. For a 1% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

Functional Currency	For the Year Ended December 31	
	2022	2021
USD	\$ 12,487	\$ 7,761
EUR	2,239	2,561
RMB	141	429

The results were mainly attributable to the exposures on outstanding cash and cash equivalents, financial assets at FVTPL, receivables and payables denominated in USD, EUR and RMB without applying cash flow hedges at the end of the year. The Group's sensitivity to foreign currency increased during the current year mainly due to trade receivables arising from large-scale sales denominated in USD.

b) Interest rate risk

The Group is exposed to interest rate risk because of deposits at both fixed and floating interest rates, cash equivalents, financial assets at FVTPL, financial assets at amortized cost and lease liabilities.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 765,334	\$ 130,066
Financial liabilities	10,670	13,462
Cash flow interest rate risk		
Financial assets	451,187	649,309

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. A 0.25% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% higher and all other variables were held constant, the Group's pre-tax profit, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits, for the years ended December 31, 2022 and 2021 would have increased by \$1,128 thousand and \$1,628 thousand, respectively.

The Group's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate bank deposits.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and mutual funds. If equity or mutual funds prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2,460 thousand and \$2,676 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,280 thousand and \$1,574 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own historical trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized bank loans facilities of \$400,000 thousand and \$200,000 thousand, respectively.

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

Non-derivative Financial Liabilities	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years
<u>December 31, 2022</u>			
Non-interest bearing	\$ 658,984	\$ -	\$ -
Lease liabilities	<u>789</u>	<u>2,379</u>	<u>8,053</u>
	<u>\$ 659,773</u>	<u>\$ 2,379</u>	<u>\$ 8,053</u>

Non-derivative Financial Liabilities	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years
<u>December 31, 2021</u>			
Non-interest bearing Lease liabilities	\$ 1,231,902 <u>781</u>	\$ - <u>2,356</u>	\$ - <u>11,220</u>
	<u>\$ 1,232,683</u>	<u>\$ 2,356</u>	<u>\$ 11,220</u>

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as below.

Remuneration of key management personnel

The remuneration of directors and other key management personnel was as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 12,436	\$ 12,067
Post-employment benefits	<u>131</u>	<u>132</u>
	<u>\$ 12,567</u>	<u>\$ 12,199</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for energy purchase agreements, tariff on bonded warehouse and import of raw materials:

	December 31	
	2022	2021
Financial assets at amortized cost - non-current	<u>\$ 6,082</u>	<u>\$ 27,734</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments of the Group as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment	<u>\$ 18,491</u>	<u>\$ 42,250</u>

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

					December 31, 2022				
					Foreign Currencies	Exchange Rate		Carrying Amount	
<u>Financial assets</u>									
Monetary items									
USD	\$	41,926	30.70	(USD:NTD)			\$	1,287,128	
USD		10,599	6.963	(USD:RMB)				325,389	
EUR		7,309	32.74	(EUR:NTD)				239,297	
RMB		3,200	4.409	(RMB:NTD)				14,109	
<u>Financial liabilities</u>									
Monetary items									
USD		10,100	30.70	(USD:NTD)				310,070	
USD		1,751	6.963	(USD:RMB)				53,756	
EUR		471	32.74	(EUR:NTD)				15,421	
					December 31, 2021				
					Foreign Currencies	Exchange Rate		Carrying Amount	
<u>Financial assets</u>									
Monetary items									
USD	\$	27,319	27.67	(USD:NTD)			\$	755,917	
USD		8,329	6.368	(USD:RMB)				230,463	
EUR		8,410	31.33	(EUR:NTD)				263,485	
RMB		9,878	4.345	(RMB:NTD)				42,920	
<u>Financial liabilities</u>									
Monetary items									
USD		6,268	27.67	(USD:NTD)				173,436	
USD		1,332	6.368	(USD:RMB)				36,856	
EUR		236	31.33	(EUR:NTD)				7,394	

The Group is mainly exposed to USD, EUR and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 79,587	1 (NTD:NTD)	\$ (41,448)
RMB	4.422 (RMB:NTD)	32,766	4.341 (RMB:NTD)	(5,385)
USD	29.81 (USD:NTD)	1,494	28.01 (USD:NTD)	(116)

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries and associates): Table 2
- 4) Marketable securities acquired and disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 3
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions: Table 6

b. Information on investees: Table 7

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 6
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 6
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

31. SEGMENT INFORMATION

Information reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance focuses on location of operations. The Group focuses on the manufacture and sale of bike components. The manner of manufacturing and marketing strategy are the same; however, the Group manages its business by location due to regional difference from culture, economy environment and so on. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

1. Domestic operations - products manufactured and sold in Taiwan.
2. Operations in Asia - products manufactured and sold in China.
3. Operations in Americas- products of high-class bike designed, developed and sold in Americas.
4. Others - investment in domestic and international business, venture capital business, domestic general manufacturing and sales of products in regions other than those presented above.

a. Segment revenue and results

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

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2022	2021	2022	2021
Domestic operations	\$ 3,763,309	\$ 3,204,798	\$ 635,517	\$ 491,116
Operations in Asia	1,192,277	1,541,999	(22,503)	18,565
Operations in Americas	128,978	133,156	(12,526)	(17,359)
Others	-	-	(48,640)	60,344
Total from continuing operations	<u>\$ 5,084,564</u>	<u>\$ 4,879,953</u>	551,848	552,666
Interest income			8,114	8,866
Dividend income			11,824	7,774
Gain (loss) on fair value changes of financial assets and liabilities at FVTPL			(11,318)	4,761
Finance costs			(343)	(205)
Foreign exchange gain (loss), net			113,847	(46,949)
Other revenue and gain			61,670	77,000
Other expenses and loss			<u>(35,787)</u>	<u>(1,302)</u>
Profit before tax			<u>\$ 699,855</u>	<u>\$ 602,611</u>

Segment profit represented the profit before tax earned by each segment without interest income, dividend income, foreign exchange gain or loss, gain or loss on fair value changes of financial assets at FVTPL, finance costs and income tax expense. This was the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

	December 31	
	2022	2021
<u>Segment assets</u>		
Continuing operations		
Domestic operations	\$ 3,598,695	\$ 3,430,228
Asia operations	1,417,464	1,731,288
America operations	113,966	89,674
Others	<u>259,424</u>	<u>374,059</u>
	5,389,549	5,625,249
Unallocated assets	<u>36,669</u>	<u>54,373</u>
Consolidated total assets	<u>\$ 5,426,218</u>	<u>\$ 5,679,622</u>

	December 31	
	2022	2021
<u>Segment liabilities</u>		
Continuing operations		
Domestic operations	\$ 615,746	\$ 931,919
Asia operations	481,855	758,163
America operations	15,296	8,145
Others	<u>15,262</u>	<u>47,778</u>
	1,128,159	1,746,005
Unallocated liabilities	<u>131,538</u>	<u>130,423</u>
Consolidated total liabilities	<u>\$ 1,259,697</u>	<u>\$ 1,876,428</u>

All assets and liabilities were allocated to reportable departments other than deferred tax assets and deferred tax liabilities.

c. Revenue from major products

	For the Year Ended December 31	
	2022	2021
Braking system	\$ 1,065,091	\$ 969,090
Stem	954,453	880,102
Seat post	882,864	802,518
Hub	286,080	241,196
Others	<u>1,896,076</u>	<u>1,987,047</u>
	<u>\$ 5,084,564</u>	<u>\$ 4,879,953</u>

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 805,838	16	\$ 716,784	15
Customer B	428,129	8	465,282	10

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance (Note 3)	Actual Borrowing Amount (Note 4)	Range of Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
0	The Company	Ever Glory	Other receivables	Yes	\$ 7,086 (USD 220)	\$ 6,754 (USD 220)	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 811,330	\$ 1,622,659
		CGI	Other receivables	Yes	312,575 (USD 9,100) (NTD 19,471)	298,835 (USD 9,100) (NTD 19,471)	289,625 (USD 8,800) (NTD 19,471)	-	Short-term financing	-	Operating capital	-	-	-	811,330	1,622,659
1	Lee Chi International	Ever Glory	Receivables from related parties	Yes	7,086 (USD 220)	6,754 (USD 220)	6,266 (USD 204)	-	Short-term financing	-	Operating capital	-	-	-	360,725 (USD 11,750)	360,725 (USD 11,750)

Note 1: The financing amount of the Company should not exceed 20% of the Company's shareholders' equity; that of subsidiaries should not exceed 50% of the subsidiaries' shareholders' equity.

Note 2: The financing amount of the Company should not exceed 40% of the Company's shareholders' equity; that of subsidiaries should not exceed 50% of the subsidiaries' shareholders' equity.

Note 3: The ending balance amount has been approved by the board of directors.

Note 4: Significant intercompany accounts and transactions have been eliminated.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	<u>Ordinary shares</u>						
	CTBC Financial Holding Co., Ltd	-	Financial assets at FVTOCI - current	2,143,455	\$ 47,370	-	\$ 47,370
	CHINA STEEL CORPORATION	-	Financial assets at FVTOCI - current	106,000	3,159	-	3,159
	YIEH PHUI ENTERPRISE CO., LTD.	-	Financial assets at FVTOCI - current	27,983	448	-	448
	YEM CHIO CO., LTD.	-	Financial assets at FVTOCI - current	20,615	297	-	297
	YANG MING MARINE TRANSPORT CORPORATION	-	Financial assets at FVTOCI - current	442	29	-	29
	CHUNGHWA PICTURE TUBES, LTD.	-	Financial assets at FVTOCI - current	213,024	-	-	-
	<u>Mutual funds</u>						
	Fuh Hwa Money Market Fund	-	Financial assets at FVTPL - current	3,626,408	53,045	-	53,045
	SinoPac TWD Money Market Fund	-	Financial assets at FVTPL - current	1,133,112	16,005	-	16,005
	JPM China Income Fund CNH Acc	-	Financial assets at FVTPL - current	115,465	7,927	-	7,927
	Fidelity Funds - Global Dividend Fund A-ACC-EUR (Hedged)	-	Financial assets at FVTPL - current	9,252	7,091	-	7,091
	FUH HWA CSI 300 A SHARES EXCHANGE TRADED FUND	-	Financial assets at FVTPL - current	120,000	2,918	-	2,918
	PineBridge ESG Quantitative Global Equity Fund A (CNH)	-	Financial assets at FVTPL - current	45,000	1,762	-	1,762
	Cathay Taiwan Money Market Fund	-	Financial assets at FVTPL - current	139,033	1,755	-	1,755
	Nomura Global Dyn Multi (CNY)	-	Financial assets at FVTPL - current	29,963	1,663	-	1,663
	Cathay China Domestic Demand Growth Fund USD	-	Financial assets at FVTPL - current	61,682	1,198	-	1,198
	PineBridge China A-Shares Quantitative Equity Fund A-CNY	-	Financial assets at FVTPL - current	25,000	1,141	-	1,141
	Fuh Hwa China New Economy A Shares Eq RMB	-	Financial assets at FVTPL - current	25,126	916	-	916
	Yuanta MSCI China A ETF	-	Financial assets at FVTPL - current	40,000	914	-	914
	Cathay High Dividend Taiwan Equity Fund A	-	Financial assets at FVTPL - current	54,765	851	-	851
	Yuanta Great China TMT Fund RMB	-	Financial assets at FVTPL - current	16,116	701	-	701
Cathay China Emerging Industries Fund	-	Financial assets at FVTPL - current	31,935	582	-	582	
Ever Glory	<u>Ordinary shares</u>						
	CDIB Yida Private Equity (Kunshan) (Limited Partnership)	-	Financial assets at FVTOCI - non-current	-	36,860	-	36,860

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value
Chief Venture	<u>Ordinary shares</u>						
	DEXIN CORP.		Financial assets at FVTPL - current	3,453,315	\$ 46,102	9	\$ 46,102
	POWERCHIP SEMICONDUCTOR MANUFACTURING CORPORATION	-	Financial assets at FVTPL - current	1,050,000	33,442	-	33,442
	RUBY TECH CORPORATION	-	Financial assets at FVTPL - current	470,482	15,244	1	15,244
	G-TECH OPTOELECTRONICS CORPORATION	-	Financial assets at FVTPL - current	639,536	11,831	-	11,831
	FORWARD ELECTRONICS CO., LTD.	-	Financial assets at FVTPL - current	89,015	1,754	-	1,754
	POWERCHIP TECHNOLOGY CORPORATION	-	Financial assets at FVTPL - non-current	1,493,659	33,786	-	33,786
	ZIPCOM CORPORATION	-	Financial assets at FVTPL - non-current	113,100	-	11	-
	VACTRONICS TECHNOLOGIES INC.	-	Financial assets at FVTPL - non-current	58,111	5,371	-	5,371
	RUBY TECH CORPORATION	-	Financial assets at FVTOCI -current	227,630	7,375	-	7,375
	VACTRONICS TECHNOLOGIES INC.	-	Financial assets at FVTOCI - non-current	191,889	17,735	-	17,735
	SUPERALLOY INDUSTRIAL CO., LTD.	-	Financial assets at FVTOCI - non-current	173,800	7,510	-	7,510
	TERAWINS, INC.	-	Financial assets at FVTOCI - non-current	688,600	5,929	2	5,929
	SOLIDLITE CORPORATION	-	Financial assets at FVTOCI - non-current	200,000	1,052	1	1,052
	HCM CO., LTD.	-	Financial assets at FVTOCI - non-current	5,000	257	-	257

(Concluded)

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
The Company	Mutual funds Fuh Hwa Money Market Fund	FVTPL- current	-	-	2,574,828	\$ 37,502	111,345,917	\$ 1,624,028	110,294,337	\$ 1,608,687	\$ 1,608,485	\$ 202	3,626,408	\$ 53,045

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party (Note 2)	Nature of the Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment/Collection Terms	Unit Price	Collection Terms	Ending Balance	% of Total	
The Company	Ever Glory	(Note 1)	Purchases	\$ 597,869	36	T/T 120 days after the transaction date	The purchases are primarily by means of trilateral trades. The prices of these purchases were based on specific diversity of products and related market trends. There were no unrelated parties with similar trade.	There were no significant differences between other parties.	\$ (286,414)	(52)	
Ever Glory	The Company	(Note 1)	Sales	(597,869)	(33)	T/T 120 days after the transaction date	Selling prices were lower than those of unrelated parties.	There were no significant differences between other parties.	286,414	53	

Note 1: See Note 12.

Note 2: Significant intercompany accounts and transactions have been eliminated.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party (Note 4)	Nature of the Relationship	Ending Balance	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Action Taken		
The Company	CGI	(Note 2)	\$ 314,922 (Note 3)	1.49	\$ -	-	\$ -	\$ -
Ever Glory	The Company	(Note 2)	286,414	2.56	-	-	182,766	-

Note 1: The calculation of turnover rate did not take other receivables into account.

Note 2: See Note 12.

Note 3: It consists of trade receivables and other receivables.

Note 4: Significant intercompany accounts and transactions have been eliminated.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			Percentage of Consolidated Net Revenue or Total Assets (%)		
				Financial Statements Accounts	Amount	Payment Terms			
0	The Company	Lee Chi International	1	Other receivables	\$ 885	-	-		
				Ever Glory	1	Sales	57,463	T/T 90 days after the transaction date	1
						Purchases	597,869	T/T 120 days after the transaction date	12
						Trade receivables	39,309	T/T 90 days after the transaction date	1
				Trade payables	286,414	T/T 120 days after the transaction date	5		
		CGI	1	Other receivables	313	-	-		
				Sales	30,849	T/T 150 days after the transaction date	1		
				Trade receivables	24,184	T/T 150 days after the transaction date	-		
				Other receivables	290,738	-	5		
				1	Ever Glory	Lee Chi International	2	Other payables	8,996
Payables to related parties	6,266							-	-

Note: Relationships with counterparties: (1) parent company to subsidiary; and (2) subsidiary to subsidiary.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	Lee Chi International	British Virgin Islands	Operating holding company and international investments	\$ 667,823	\$ 667,823	23,500,000	100	\$ 1,181,516	\$ 31,155	\$ 31,155	Subsidiary
	Chief Venture	Taipei	Investment	107,886	107,886	11,000,000	55	134,289	(30,017)	(16,509)	Subsidiary
	CGI	California, USA	Development, manufacture and sale of high-class bikes and bike components	122,395	122,395	4,000,000	100	(217,570)	(10,458)	(10,458)	Subsidiary

Note 1: Significant intercompany accounts and transactions have been eliminated.

LEE CHI ENTERPRISES COMPANY LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Ever Glory	Manufacture and sale of cars, bikes, bike components and related machine elements.	RMB 83,240 (USD 10,000)	The reinvestment was made through Lee Chi International	\$ 472,610 (USD 16,190)	\$ -	\$ -	\$ 472,610 (USD 16,190)	\$ 46,037	100%	\$ 46,037	\$ 1,137,482	\$ 300,781

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
The Company	\$ 472,610 (USD 16,190)	\$ 733,321 (USD 24,157)	\$ 2,499,913

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: The investment gain (loss) recognized by the Group was based on the audited financial statements by the same accounting firm as parent company in Taiwan, as of and for the year ended December 31, 2022.

Note 3: The upper limit on investment was in accordance with the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China".

TABLE 9**LEE CHI ENTERPRISES COMPANY LTD.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022****(In Shares)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust property account of Lee, Ye-Jung at the Taipei Branch of the United Bank of Switzerland	22,274,684	9.86
Le Wong Investment Co., Ltd.	22,047,000	9.76
Lin, Yu-Hsin	13,298,760	5.89

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

VII. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year and during the current fiscal year up to the date of publication of the annual report: N/A

Chapter VII.

Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks:

I. Comparative analysis of financial position

(I) Comparative analysis table of consolidated financial position

Unit: NT\$ Thousand

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	\$ 3,909,984	\$ 4,073,171	(163,187)	(4)
Non-current assets	1,516,234	1,606,451	(90,217)	(6)
Total assets	5,426,218	5,679,622	(253,404)	(4)
Current liabilities	953,176	1,513,513	(560,337)	(37)
Non-current liabilities	306,521	362,915	(56,394)	(16)
Total liabilities	1,259,697	1,876,428	(616,731)	(33)
Share capital common stock	2,256,850	2,278,250	(21,400)	(1)
Capital reserve	67,084	64,235	2,849	4
Retained earnings	1,874,647	1,452,761	421,886	29
Other equity	(121,257)	(99,652)	(21,605)	22
Treasury share	(20,676)	(39,227)	18,551	(47)
Non-controlling interests	109,873	146,827	(36,954)	(25)
Total equity	4,166,521	3,803,194	363,327	10

Description:

1. The decrease in current liabilities and liabilities was mainly due to the decrease in total liabilities, especially for the fourth quarter of 2022, as the industry adjusted inventory and decreased purchases, resulting in a sharp decrease in accounts payable.
2. The increase in retained earnings was mainly due to the increase in the 2022 net profit of the Company and its subsidiaries.
3. The decrease in other equity was mainly due to the decrease in unrealized gain on financial assets at fair value through other comprehensive income in 2022.
4. The decrease in the amount of treasury shares was mainly due to the cancellation of treasury shares in March 2022.
5. The decrease in non-controlling interests was mainly due to the decrease in non-controlling interests for the year 2022.

II. Comparative analysis of financial performance

(I) Comparative analysis table of consolidated financial performance

Unit: NT\$ Thousand

Item	2022	2021	Increase (decrease) amount	Percentage of change (%)
Operating revenue	\$ 5,084,564	\$ 4,879,953	204,611	4
Operating costs	<u>4,079,617</u>	<u>3,965,720</u>	<u>113,897</u>	<u>3</u>
Gross profit	1,004,947	914,233	90,714	10
Operating expenses	<u>406,992</u>	<u>458,700</u>	<u>(51,708)</u>	<u>(11)</u>
Net operating profit (loss)	597,955	455,533	142,422	31
Non-operating income and expenses	<u>101,900</u>	<u>147,078</u>	<u>(45,178)</u>	<u>(31)</u>
Pre-tax net profit (loss) of continuing operating unit	699,855	602,611	97,244	16
Income tax benefits (expenses)	<u>144,650</u>	<u>108,588</u>	<u>36,062</u>	<u>33</u>
After-tax net profit (loss) of continuing operating unit	<u>555,205</u>	<u>494,023</u>	<u>61,182</u>	<u>12</u>
Loss of discontinued operating units	<u>0</u>	<u>0</u>	<u>0</u>	<u>-</u>
Net profit (loss) for the year	<u>\$ 555,205</u>	<u>\$ 494,023</u>	<u>61,182</u>	<u>12</u>

Increase or decrease of change analysis:

1. The increase in non-operating income was mainly due to the decrease in unrealized gain on financial assets at fair value through other comprehensive income in 2022.
2. The increase in income tax expenses was mainly due to the increase in profit during the current period.

Expected sales volume and its basis: please refer to Chapter I. Letter to Shareholders on page 1

(II) The possible impact on the Company's future finances and business and the corresponding plan:

The Company continues its dual-engine (brand and OEM) growth strategy, develops emerging markets, and will develop emerging markets such as India and Southeast Asian countries. The Company will explore the possibility of autonomous manufacturing or cooperation in local markets, localize production and enlarge their vast domestic demand markets to ensure the growth drive.

III. Cash flow analysis

(I) Analysis of consolidated liquidity in the last two years

Item	Year	2022	2021	Increase (decrease) ratio
	Cash Flow Ratio (%)		88.06	(2.22)
Allowable cash flow ratio (%)		53.39	9.91	438.75
Cash reinvestment rate (%)		11.31	(2.38)	575.21
Increase or decrease of change analysis: Increase in cash flow ratios: This is mainly due to the sharp increase in net cash generated from operating activities and the sharp decrease in accounts payable in current liabilities in 2022, resulting in the great difference compared with the previous year, which also led to the great difference of related ratios.				

(II) Analysis of consolidated cash liquidity in the coming year:

Cash balance at the beginning of the year (1)	Net Cash Flows from Operating Activities (2)	Cash outflow (3)	Cash surplus (deficit) Amount (1)+(2)+(3)	Remedial Measures for Estimated Cash Deficit	
				Investment Plan	Financial plan
\$1,213,645	\$300,000	\$350,000	\$1,163,645	Not applicable	Not applicable
Description: 1. Analysis of changes in consolidated cash flow this year (in the coming year) (1) Operating activities: In 2023, the bicycle industry adjusted inventory, affecting sales orders and shipments, and the collection and payment policies and safety inventory will be relatively decreased, with the net cash flow of operating activities approximately NT\$ 300,000 thousand. (2) Investment activities: The Company will mainly continue the investment strategy for 2022, with plans to invest in the stock and bond markets, purchase additional machinery and equipment, expand plants, reinvest in subsidiaries, etc., in cooperation with the Company's estimated capital needs. The annual investment activities in 2023 will be carefully evaluated. (3) Financing activities: It is estimated that cash dividends will be distributed in 2023. 2. Remedial measures and liquidity analysis for estimated cash deficit: Not applicable.					

IV. Effect upon financial operations of any major capital expenditures during the most recent fiscal year: None

(I) The use of capital expenditures and sources of funds:

In 2022, in response to the needs of future expansion of operations, combined with intelligent production line planning, the Company invested about NT\$151,272 thousand in the expansion of production plants and the purchase of new production equipment, smart machinery in order to facilitate the Company's future overall planning and operation development. The above sources of funds are all financed by the Company's equity fund.

(II) Expected benefits:

Expected benefits include: expansion of production plants and intelligentization of production equipment, improvement of the flow of space in the plant, increase in production efficiency and product quality, strengthening of the technical content, and effective monitoring of the production; improve in management and decision-making efficiency in response to market demand, in order to benefit the overall planning and operational development of the Company.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improvement, and investment plans for the coming year:

(I) The Company reinvests for the purpose of long-term investment. Among all, Ever Glory Machinery (Kun Shan) Co., Ltd. in Mainland China continued to achieve profit increase in 2022 from the surge in bike demand, resulting from the COVID-19 pandemic. The US subsidiary is committed to high-end bicycle products and the expansion of channels, aiming at increasing profits from market share expansion.

(II) Investment plans

In order to expand production plants and increase production capacity, the Company will purchase more intelligent automated production equipment, update, optimize and upgrade equipment to improve efficiency.

VI. Risk analysis and assessment

(I) Impacts of interest and foreign exchange rate fluctuations and inflation on Company's profit and loss and future countermeasures:

The Company does not have loans, so changes in interest rates pose no significant impact on the Company's interest expenditures; in the exchange rate conversion in 2022, the foreign currency exchange gains in consolidated statement was about NT\$113,847 thousand, mainly because the foreign

currency exchange rate was greatly affected by international economic fluctuations; despite changes in costs of raw materials, the Company's cost is under appropriate control, and the cost is reflected in a timely manner, without no significant impact on profit and loss. On the whole, the Company will consider its changes at any time in the future and make appropriate hedging to reduce the impact on profit and loss.

- (II) Policies for high-risk or high-leverage investments, fund lending to other parties, endorsements, guarantees, and financial derivatives transaction, explanation for the gains or losses generated thereby, and future countermeasures:
- (1) Policy: The Company's funds lending to others, endorsements, and derivative products are all handled in accordance with the relevant processing guidelines of the competent authority and the regulations on implementation of the internal control system review operation.
 - (2) Accounts receivable of the Company from THE Cycle Group that fall overdue after the normal credit term expires are considered as financing, the funds of the grandson company Ever Glory Machinery (Kun Shan) Co., Ltd. receivable from related parties are short-term financing funds, and the funds lending to the reinvested company THE Cycle Group, Inc. and Cycle Origins Ltd. are for the needs of operating turnover; they are handled in accordance with the policies and corresponding measures stipulated by the Company's "Operating Procedures for Funds Lending to Others".
 - (3) The Company has no endorsement guarantee from 2022 to the publication date of the annual report (May 11, 2023).
 - (4) In response to the needs of operating turnover and foreign exchange hedging, the Company diversifies the risks in reference to the received foreign exchange positions and reduces the uncertainty of currency exchange rate fluctuations to obtain higher interest and income than fixed deposit interest. Moreover, it engages in dual currency linkage investment portfolio, pays attention to the supervision and control of trading risks at any time, and regularly evaluates the performance of the transaction and the risks assumed.
 - (5) Future countermeasures: The Company strictly regulates currency management tools, and strives to be conservative and cautious.
- (III) Future R&D plans and the projected R&D investment:
- Refer to Chapter V. Operational Overview on page 87; the estimated R&D expense in 2023 is approximately NT\$ 80,000 thousand.
- (IV) Impact of significant changes in domestic and overseas policies and laws on the Company's financial operations, and the countermeasures:

The Company's management team has been paying close attention to any policies and regulations that may affect the Company's business and operations. In 2022, changes in relevant laws and regulations did not have a significant impact on the Company's operations.

- (V) The impact of changes in technology (including cyber security risks) and industry on the Company's financial operations and the countermeasures:
- (1) The Company has not been subject to changes in technology (including cyber security risks) and industry that affect the Company's financial business.
 - (2) The Company continues to introduce technological industry technology and apply it to product development and process improvement.
 - (3) The Company strengthens the management of cyber security, and plans related management measures for various cyber risks, including device management, hardware protection, Internet access and mobile security, etc.; through inspection measures related to technology and management related, improves and enhances Network and information system security protection capabilities and information governance standards.

- (VI) The impact of the Company's crisis management on changes in corporate image and the countermeasures:

Integrity is the first priority of corporate image. The Company is based on this in the execution of business, finance, production process and other affairs. Therefore, there is no crisis to the Company due to the change of corporate image.

- (VII) The expect benefits and potential risks of initiating acquisition and the mitigation measures:

The Company has no plans for mergers and acquisitions in the most recent year and as of the deadline for publication of the annual report.

- (VIII) The expect benefits and potential risks of a plant expansion and the mitigation measures:

Based on the needs of operations, the Company continues to plan the plant configuration and production processes, actively improves the space flow in the plant, carries out various renovations, strengthens the provision of a good working environment for employees, and increases production capacity to meet the overall development needs.

- (IX) Risks, possible risks and countermeasures faced by the concentration of purchases or sales:
- (1) The Company has scattered purchasing manufacturers, maintains a long-term relationship with the suppliers, and does not have concentration risk of purchasing.
 - (2) The Company is a professional manufacturer specializing in manufacturing and foundry of bicycle parts. Some customers account for a significant proportion of sales revenue, which is a feature of professional manufacturing services.
- (X) The impact and risk of any major equity transfer or exchange by the Directors, Supervisors, or shareholders holding more than 10% of the Company's shares and the countermeasures: None
- (XI) The impact and risk of the changes in the ownership on the Company and the countermeasures:
- In the recent year and as of the publication date of the annual report, the Company has stable management, and is committed to the improvement of the Company's operating performance and the creation of the greatest equity for shareholders, which should have a positive impact on the Company's operations.
- (XII) In terms of any major litigious, non-litigious or administrative disputes, whether it has been concluded or is still under litigation, involving the Company, any of its Director, Supervisor or President, any person in charge of the Company, any shareholders holding more than 10% of the Company's shares, and/or its subsidiaries, where such a dispute could materially affect shareholders' equity or the share prices, disclosure of such a dispute shall specify the facts, monetary amount at stake, the date of litigation commencement, the main parties, and the status of the dispute as of the date of publication of the annual report: None
- (XIII) Other important risks and the mitigation measures: None

VII. Other important matters: None.

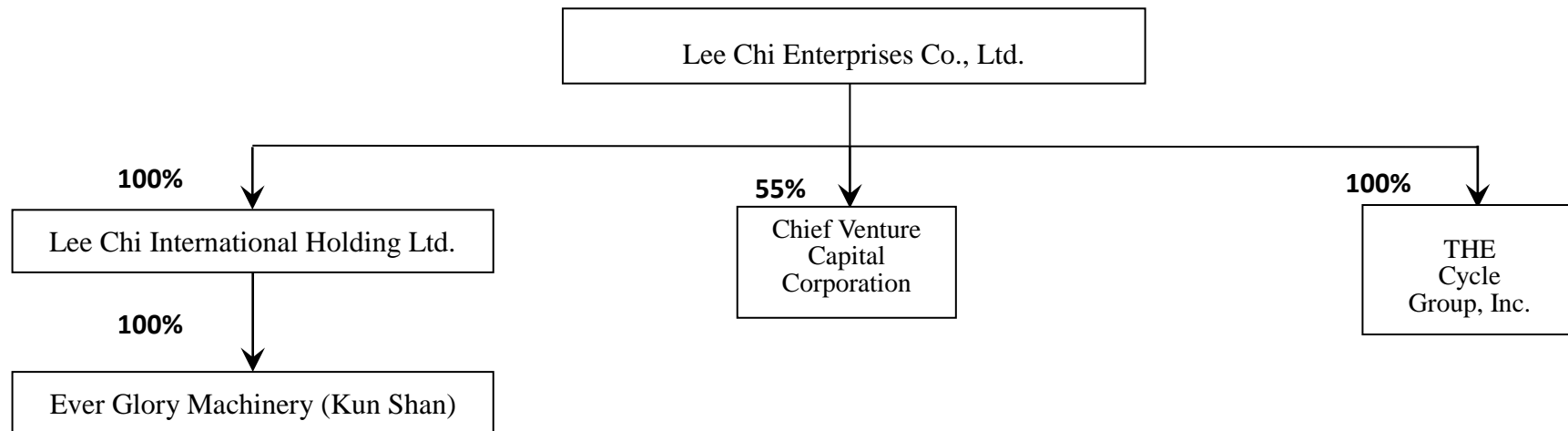
Chapter VIII. Special Items to be Included

I. Information related to the affiliates

(I) Consolidated financial statements covering related companies (see Financial Overview - VI on page 173)

(II) Consolidated business report of affiliated companies

1. Organizational chart of affiliated companies



2. Basic information table of affiliates

Name of Company	Date of Incorporation	Address	Paid-in capital	Main business or production items
Lee Chi International Holding Ltd.	1996.06	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US\$23,500 thousand	1. General import and export trading. 2. Operating holding and invested companies.
Ever Glory Machinery (Kun Shan) Co., Ltd.	1993.11	Xinxing Road, Penglang Development Zone, Kunshan City, Jiangsu Province	US\$10,000 thousand	Production and sales of auto parts, bicycle parts and other related machinery parts.
Chief Venture Capital Corporation	1998.03	12F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	NT\$200,000 thousand	Investment in domestic and foreign science and technology businesses, other domestic and foreign venture capital businesses, and domestic general manufacturing
THE Cycle Group, Inc.	2014.07	2981 Lakeview Way Fullerton California 92835	US\$4,000 thousand	Development, design and sale of high-end bicycle related products

3. The division of labor among affiliates

Name of Company	Division of labor
Lee Chi International Holding Ltd.	1. General import and export trading. 2. Operating holding and invested companies.
Ever Glory Machinery (Kun Shan) Co., Ltd.	Production and sales of auto parts, bicycle parts and other related machinery parts.
Chief Venture Capital Corporation	Investment in domestic and foreign science and technology businesses, other domestic and foreign venture capital businesses, and domestic general manufacturing
THE Cycle Group, Inc.	Development, design and sale of high-end bicycle related products

4. Operating status of each affiliate

Unit : NT\$ Thousand

Name of Company	Currency	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Net Income (Loss) (After-tax)	Earnings per share (NT\$) (After-tax)
Lee Chi International Holding Ltd.	USD	23,500	38,539	54	38,485	-	(366)	1,045	-
Ever Glory Machinery (Kun Shan) Co., Ltd	RMB	83,240	366,850	121,564	245,286	404,828	(2,617)	10,411	-
Chief Venture Capital Corporation (Note 2)	NT	200,000	259,424	15,262	244,162	7,869	(40,771)	(30,017)	(1.50)
THE Cycle Group, Inc.	USD	4,000	3,705	10,792	(7,087)	4,327	(420)	(351)	-

5. Information on directors, supervisors, and presidents of affiliates

Unit: USD Thousand; share; %

Name of Company	Title	Name or representative	Shareholding		Note
			Shares	%	
Lee Chi International Holding Ltd.	Director	Lin, Yu-Hsin	23,500,000	100.00%	Representative of Lee Chi Enterprises Co., Ltd.
Ever Glory Machinery (Kun Shan) Co., Ltd.	Chairman	Lin, Yu-Hsin	Capital contribution 10,000	100.00%	Representative of Lee Chi International Holding Ltd.
	Director and President	Li, Cheng-Chung	Capital contribution 10,000	100.00%	Representative of Lee Chi International Holding Ltd.
	Director	Lin, Yi-Hsien	Capital contribution 10,000	100.00%	Representative of Lee Chi International Holding Ltd.
	Director	Lin, Yu-Sheng	Capital contribution 10,000	100.00%	Representative of Lee Chi International Holding Ltd.
	Director	Lee, Yu-Cheng	Capital contribution 10,000	100.00%	Representative of Lee Chi International Holding Ltd.
	Supervisor	Lin, Chung-Ying	Capital contribution 10,000	100.00%	Representative of Lee Chi International Holding Ltd.

Name of Company	Title	Name or representative	Shareholding		Note
			Shares	%	
Chief Venture Capital Corporation	Chairman	Lin, Yu-Hsin	1,750,000	8.75%	-
	Director	Lin, Yu-Sheng	11,000,000	55.00%	Representative of Lee Chi Enterprises Co., Ltd.
	Director	Lin, Yi-Hsien	1,750,000	8.75%	-
	Director	Lin, Chung-Ying	1,750,000	8.75%	-
	Director	Lin Kun-Ming	500,000	2.50%	Representative of Huiyu Investment Co., Ltd.
	Supervisors	Yi-Jiing Lin	1,000,000	5.00%	Representative of Premier Capital Management Corp.
	Supervisors	Lin, Ling-Yu	0	0.00%	-
THE Cycle Group, Inc.	Chairman	Lin, Yu-Hsin	4,000,000	100.00%	Representative of Lee Chi Enterprises Co., Ltd.

(III) The affiliation report: Not applicable.

II. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. The Company's shares held or disposed of by subsidiaries for the fiscal year up to the date of publication of the annual report:
None.

IV. Any event which has a material impact on shareholders' rights and interests or securities prices as listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:
None.

V. Other necessary supplementary information: None.

Lee Chi Enterprises Co., Ltd.

Chairman: Lin, Yu-Hsin