Stock Code :4426

利 勤 實 業 股 份 有 限 公 司

LI CHENG ENTERPRISE CO., LTD.

2022 Annual Report

Printed on April 30, 2023

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Li Cheng Annual Report is available at: http://www.li-cheng.com.tw/tw/investor/

1. **Spokesperson & Deputy Spokesperson:**

Name(Spokesperson): Chien,Wei-Lun
Title: Manager of finance department
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Email: weilun.chien@li-cheng.com.tw

Name (Deputy Spokesperson)：
Title:
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Email: ir@li-cheng.com.tw

2. **Contact Information of the Head Office, Branch Offices and Factories:**

Head office: No.5 Dou-Kung 12 Road, Dou-Liu City, Yun-Lin Hsien 640, Taiwan (R.O.C.)
Tel: (05)5571010
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3. **Share Transfer Agency:**

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Address: B1, No. 96, Jianguo N. Rd., Sec. 1, Taipei 104, Taiwan
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4. **Contact Information of the Certified Public Accountants for the Latest Financial Report:**

Name: Accountant Chang,Tzu-Hsinz CPA, Accountant Wu,Chun-Yuan CPA
Firm: KPMG
Address: 68F., No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110615, Taiwan (R.O.C.)
Website: http://www.kpmg.com.tw
Tel: (02)8101-6666

5. **Overseas Trade Places for Listed Negotiable Securities and Information for Checking Overseas Listed Negotiable Securities:** None.

6. **Company Website**：http://www.li-cheng.com.tw

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1. Letter to Shareholders

Dear Shareholders,

With the Covid-19 epidemic finally unblocked, everything goes back to normal, especially for sports activities. This in turns has brought Li Cheng Enterprise Co., Ltd. to an overall growth on the business performance in 2022 compared with 2021. In 2022, net operating revenue was NT$ 1.39 billion, increasing 117.5% YoY. Net loss after tax was NT$ 79 million, increasing 21.4% YoY. With regards to the growth of the Company, I would like to thank all my Colleagues for their hard work and continued commitment and sincerely thank our Shareholders for your strong support to enable the Company to continue achieving outstanding performance.

The outbreak of Covid-19 left a lasting imprint on the supply chain from 2020 to 2021, especially for supply chain disruptions in Southeast Asia. Fortunately, the supply chain was normalized in 2022, with the suppliers in Southeast Asia gradually resuming production. This indeed was helpful to enhance the business performance of the Company. On the other hand, however, with the negative impact brought by Russia-Ukraine war, US rate rise, and global inflation, the inventory of global footwear brands is still staying high, which leads a period of adjustment of sales orders to footwear manufacturers. Despite a conversative sales projection on global footwear business, the Company were still focusing on developing both domestic and overseas clients. In terms of product development, the Company strives to optimize textile technology, expand markets for new products, and put more efforts in basic textiles study. Some international brands, in particular, have begun to implement the marketing strategy: launching online stores, that are close to the services to customers. This in turns highlights the importance and maturity of fast delivery and the era of manufacturing automation on shoemaking, which urges the Company to have this capability to produce products by automated production. In addition, the Company has kept up with green trend to offer fabric made from environmental-friendly recycled fibers, making environmental-friendly textiles a trending product targeted by everyone.

In 2023, the business of Sports & Leisure industry has been highly affected by lifting rates, inventory depletion and increasing the length of the base period; the companies of the relevant industry is estimated to slowly grow in their performance; as a collateral consequence, the performance of their brands and the relevant suppliers is not good as expected. Meanwhile, due to the economic slowdown, the demand for consumer goods is shrinking, and a lack of consumer interest makes the Company hold a conservative viewpoint on sales forecasting. In spite of these considerations, still in the long term, the sport and leisure industry will play a vital role in the abundant business opportunities within the awareness on health issue of the public due to pandemic. Viewing from 2023, spacer fabrics will still be the flagship product of the Company. In addition, the Company will be continuing devoting to new product development to enhance product diversity and differentiation, strengthening operations management and talent acquisition, in the hope of handling the competitive environment in business. Last but not the least, the Company will be keeping informed on supply & demand of the relevant raw materials, thereby lowering the cost of raw materials.

In the future, we, the management team and all employees, will make every effort to expand our business, with the spirit of innovations and sustainability. We are certain that it is feasible to set a milestone of having a win-win situation for Li Cheng Enterprise Co., Ltd., and all Shareholders. In the end, I have to express my appreciation again to our Shareholders for all the support and recognition.

I would like to wish you all good health and happiness in the year of 2023, and beyond.

President: Hung, Wen-Yao

II. Company Profile

1. **Founded on September 26, 1997.**
2. **Company History**

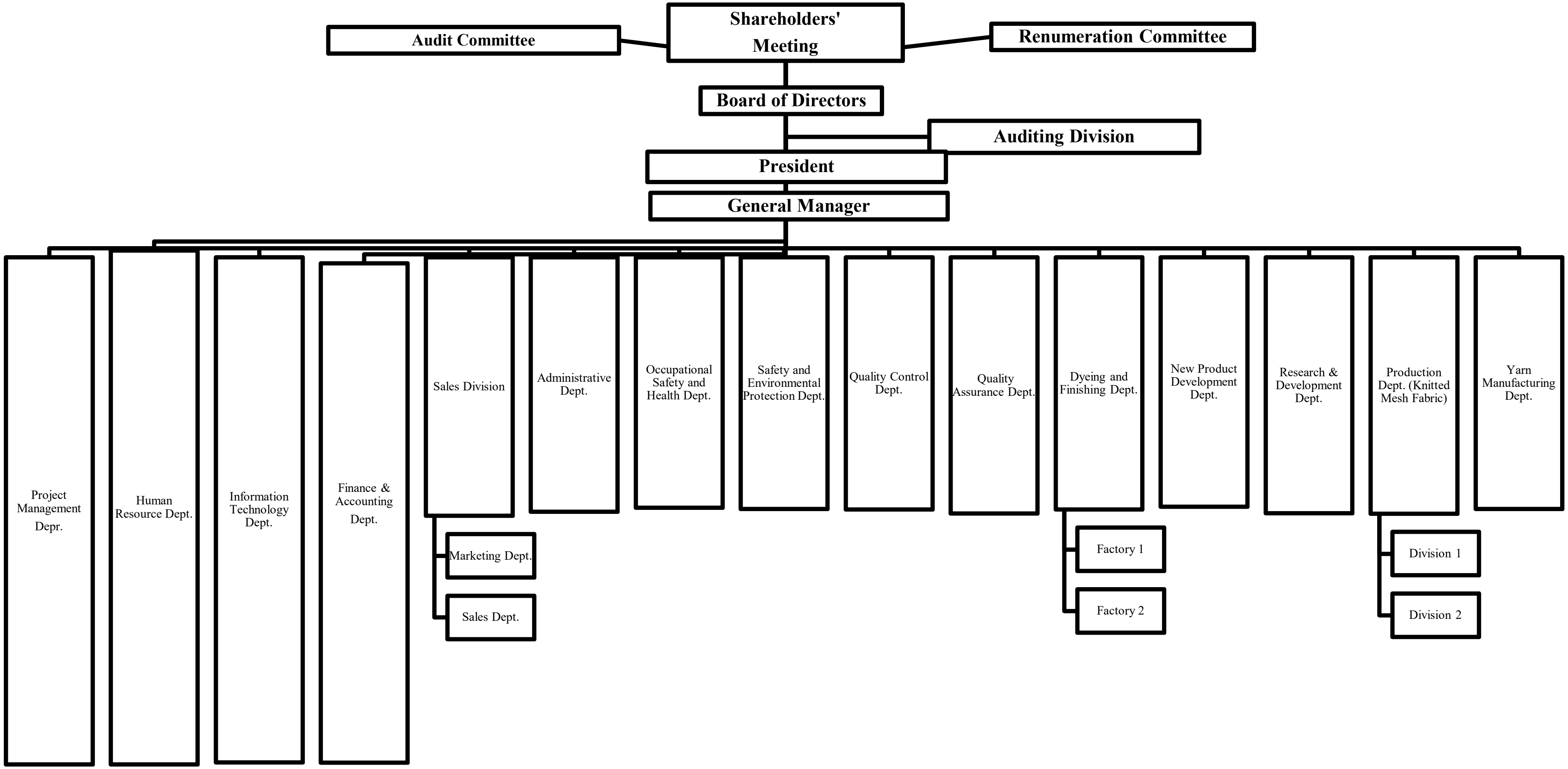
Date	Milestones
1997.09	Founded on September 26, 1997 with NT$5,000,000 capital and 500,000 outstanding shares (par value NT$10). The company was previously named as Li-Kuan Enterprise Co., Ltd., and is located in the Dou-Liu City, Yun-Lin. The business scopes include Wholesale and Retail Sales of Cloths, Garments, and Clothing Accessories, Spinning of Yarn, Weaving of Textiles, Printing, Dyeing, and Finishing.
1999.03	Selected as one of NIKE's QA suppliers.
2000.01	Imported the Double Bed Raschel Knitting Machine to produce different thicknesses of Spacer Fabrics and started the development of bedspreads on healthcare mattress.
2001.10	Merged With Li Cheng Enterprise Co., Ltd, and changed the name of the Company to Li Cheng Enterprise Co., Ltd in the aims of scaling the business and improving economic efficiency.
2002.07	Adopted internal control and audit system.
2004.04	Li Cheng Enterprise Co., Ltd went public on 28, April.
2004.05	Became the only strategic partner with NIKE on its textile materials. Certified by ADIDAS lab.
2004.11	Sold shares of stock to the public (i.e., initial public offering (IPO) in 12, November.
2004.11	Started the green construction at Dou-Liu factory site.
2005.02	Honorably selected by ADIDAS as one of the 29 suppliers of "TOOL BOX".
2005.05	Relocated the Xianxi factory to Dou-Liu site.
2005.06	Co-developed spacer fabric made by computerized vamp seamless knitting machine for shoes, and launched in a global market in 2005.
2006.05	Purchased the land in Yunlin Technology-based Industrial Park, Zhuweizi Section for the business expansion purpose.
2006.11	Listed on Taiwan Stock Exchange on 10, November (Code-4426).
2007.05	Started utilising of the green construction.
2008.05	Purchased the land and contructions at Tianzhongyang Ln., Yuanlin City, Changhua County for the business expansion purpose.
2011.06	Accredited by ISO14001 on 13, June. Set up a Remuneration Committee on 28, June to improve corporate governance.
2011.08	Purchased the land in Douliu Expanded Industrial Parks for the business expansion purpose.
2011.12	Listed on Taiwan Stock Exchange on 16, December (Code-4426).
2016.03	Purchased the land in Yunlin Technology Industrial Park, Shiliuban area, for the business expansion purpose.
2017.01	Purchased the land which was rented from Industrial Development Bureau, MOEA（IDB）for the business expansion purpose.
2018.04	Resoluted by the Board of Directors to set up a factory in Vietnam for the business expansion purpose.

III. Corporate Governance Report

1. Organization

利勤實業股份有限公司組織圖

(1) Organization System Chart (112.04.30)



(2) Major Corporate Functions

Department	Functions
The Board of Directors	To execute the shareholders' resolutions with the scope of authorization by shareholders. Strategic planning and investment planning.
Audit Office	To establish and revise measures of the internal control system, plan the annually internal audit schedules and conduct audits, provide audit reports and appropriate improvement suggestions to ensure the effectiveness of the internal control system.
Production Dept. (Knitted Mesh Fabric)	Responsible for Knitted Mesh Fabric manufacturing.
Dyeing and Finishing Dept.	Responsible for product dyeing and finishing.
Yarn Manufacturing Dept.	Responsible for Yarn Manufacturing.
Research & Development Dept.	Responsible for R&D project planning, utilizing resources, OEM, advanced product and technology research and development, product quality enhancement.
New Product Development Dept.	Responsible for product innovations and introducing new raw materials into portfolio.
Quality Assurance Dept.	Planning and execution of product quality control.
Quality Control Dept.	Responsible for arrangement of production schedule, lead time control, and warehouse management.
Safety and Environmental Protection Dept.	Responsible for sewage disposal, boiler attendance, and equipment maintenance.
Occupational Safety and Health Dept.	Responsible for ensuring labors' occupational safety and health.
Administrative Dept.	Responsible for safety management, administrative tasks and raw material procurement.
Sales Dept.	Responsible for the sales and business development both domestic and international markets.
Marketing Dept.	Responsible for sales plans, execution, and control of plans both domestic and international markets.
Finance & Accounting Dept.	Responsible for financial matters, capital movement, capital planning, scheduling, cost management and accounting matters.
Information Technology Dept.	Responsible for establishing, managing, and maintaining of software and hardware.
Human Resources Dept.	Responsible for comprehensive management of the Company's personnel, recruitment, and on-the-job training etc.
Project Management Dept.	Responsible for project management, including plan, execution, and coordination.

3.2 Directors, Supervisors and Management Team (including General Manager, Deputy General Manager, Senior Manager , and Managers of Divisions)

3.2.1. Directors

3.2.1.1. List

Date: 21, April, 2023

Job title	Nation-ality or place of regis-tration	Name	Gender, age	Date of election / appointment to current term	Term of office	Commence-ment date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remark
							No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio			Job title	Name	Relationship	
President (Note 1)	Taiwan	HUNG,WEN-YAO	Male 61-70	2020.06.22	3 year	1997.08.26	14,351,161	8.91%	15,392,323	8.91%	15,081,722	8.73%	0	0.00%	• Master, Electrical and Computer Engineering, Bradley University • President, Li Cheng Enterprise Co., Ltd.	NONE	Director	HUNG,CHI ANG-CHUAN	Father-son relationship	
Director	Taiwan	HUNG,CHI-ANG-CHUAN	Male 81-90	2020.06.22	3 year	2015.06.09	1,347,636	0.84%	1,344,665	0.78%	1,150,007	0.67%	0	0.00%	• National Changhua Senior High School of Commerce • Director, Li Cheng Enterprise Co., Ltd.	• President,Ta-Sheng Investment Co., Ltd • President, Yi-He Investment Co., Ltd • Supervisor, Hoye Textile Co., Ltd.	President	HUNG,WEN -YAO	Father-son relationship	
Director	Taiwan	HUANG,HUNG-LUNG	Male 61-70	2020.06.22	3 year	2008.06.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• Department of Law (Graduate Institute of Financial and Economic Law), National Chung Hsing University, • TungHai EMBA • Accountant, WeTec International CPAs. • Supervisor, Li Cheng Enterprise Co., Ltd.	• Founder, WeTec International CPAs • Independent Director, Y.C.C. PARTS MFG. CO. LTD.	NONE	NONE	NONE	
Director	Taiwan	CHEN,CH-UN-HE	Male 51-60	2020.06.22	3 year	2006.09.15	0	0.00%	34,000	0.02%	0	0.00%	0	0.00%	• PhD. Accounting, National Taiwan University. • Finance Manager, BENQ Corporation • Assistant professor, Department of Accounting, YunTech • Supervisor, Li Cheng Enterprise Co., Ltd.	• Associate Professor, Department of Accounting, National Chung Hsing University • Independent Director, Grand Process Technology Corporation	NONE	NONE	NONE	
Indepen-dent Director	Taiwan	CHEN,JUNG-ERH	Male 61-70	2020.06.22	3 year	2020.06.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• Department of Materials, Textiles and Chemical Engineering, National Taipei University of Technology • President, DuPont Taiwan • General Manager, Innovative Fine Chemicals Division, Asia Pacific	NONE	NONE	NONE	NONE	
Indepen-dent Director	Taiwan	LIN,MIN-KAI	Male 41-50	2020.06.22	3 year	2017.06.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• Master, Institute of Asia-Pacific Studies, National Sun Yat-sen University • PhD. Social Security Law • Master, Department of Law, National Chung-Cheng University	• Secretary General, Forensic Accounting Research Development Association • Practicing lawyer • Independent Director, Lagis Enterprise Co., Ltd.	NONE	NONE	NONE	
Indepen-dent Director	Taiwan	FU,LUNG-MING	Male 51-60	2020.06.22	3 year	2020.06.22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• PhD. Department of Engineering Science, National Cheng Kung University • Distinguished Professor, Department of Engineering Science, National Cheng Kung University • Jointly Appointed Professor, Department of Materials Engineering, National Pingtung University of Science and Technology • Review Committee, Department of Bioscience and Biotechnology, Ministry of Science and Technology • Review Committee, Department of Engineering, Ministry of Science and Technology	• Distinguished Professor, Department of Engineering Science, National Cheng Kung University • Jointly Appointed Professor, Department of Materials Engineering, National Pingtung University of Science and Technology • Review Committee, Department of Bioscience and Biotechnology, Ministry of Science and Technology • Review Committee, Department of Engineering, Ministry of Science and Technology	NONE	NONE	NONE	

Note 1：Due to no qualified candidates now to fill up the position, the president HUNG,WEN-YAO is holding the position of general manager besides his president role. Since the president HUNG,WEN-YAO is an important and ultimate decision maker of the Company, we all agreed that he is temporarily the most ideal candidate of general manager.

To strength the supervising of the company's administration by the Board of Directors, the Company in 2023 is going to increase the number of independent directors from three to four, in which the half of the independent directors are not concurrently as employees or managements in the Company.

3.2.1.2 Information on Directors

3.2.1.2.1 Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors:

Qualification / Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
HUNG,WEN-YAO	• He is expertise in commercial affairs, business operations, and operational decision management. • He has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
HUNG,CHIANG-CHUAN	• He is expertise in commercial affairs, business operations, and operational decision management. • He has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	None
HUANG,HUNG-LUNG	• He is expertise in operational decision management, company management, accounting, and finance. • He is a certified public accountant. • He has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	1
CHEN,CHUN-HE	• He is expertise in commercial affairs and operational decision management. • He is with financial background, at the lecturer level and above in both public and private universities. • He has not been a person of any conditions defined in Article 30 of the Company Act.	N/A	1
CHEN,JUNG-ERH	• He is expertise in commercial affairs, business operations, and operational decision management. • He was the CEO and president of DuPont Taiwan. • He has not been a person of any conditions defined in Article 30 of the Company Act.	1. He is an independent director of the Company, as well as the convener of the Company's audit committee and remuneration committee. 2. In accord with the status of independence, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	None
FU,LUNG-MING	• He is at the lecturer level and above with respect to business operation and Industry development in both public and private universities. • He is a distinguished professor at Department of Engineering Science, National Cheng Kung University. • He is a jointly appointed professor at Department of Materials Engineering, National Pingtung University of Science and Technology. • He has not been a person of any conditions defined in Article 30 of the Company Act.	1. He is an independent director of the Company as well as a member of audit committee and remuneration committee. 2. In accord with the status of independence, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	None

LIN,MIN-KAI	• He is expertise in law and has legal professional qualification and is a qualified lawyer. • He has not been a person of any conditions defined in Article 30 of the Company Act.	1. He is an independent director of the Company as well as a member of audit committee and remuneration committee. 2. In accord with the status of independence, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	1

2. The diversity and independence of the Board of Directors:

(1) Diversity within the members of the Board of Directors:

① Policy

The members of the Board of Directors were selected by their professional backgrounds which meet the requirements of the Company's current developmental stage. The nomination and selection are in accordance with the provisions of the Articles of Incorporation; a candidates nomination system is adopted by the Company for election of the directors of the Company. In addition to evaluating the qualifications of each candidate, Regulations Governing Appointment of Directors and Independent Directors and Compliance Matters is also complied to ensure diversity and independence of the directors.

② Goal

The number of directors of the Company is 7 directors, whose professional backgrounds include corporate business strategy, accounting and finance, law, administration, and production management. In addition, they shall have the knowledge, skills and accomplishments necessary to perform their duties. The Company places great importance on the gender equality of the Board and aims for an addition of 1-2 female representations on the board.

③ Achievement

3 independent directors with 43% of independent directors respectively. 2 independent directors tenure average below 3 years and 1 independent director has a tenure of 3-6 years. 3 directors aged under 60. 3 directors aged between 61-69 years of age. 1 director aged above 70 years of age. 3 directors are equipped with corporate management and investment experience. 2 directors are equipped with finance, accounting, and investment experience. 1 director with the background of law. 1 director with related industrial development experience

(2) Independence within the members of the Board of Directors:

3 independent directors were appointed among 7 directors with 43% of independent directors. The tenure of independent directors shall not exceed more than 3 terms. The directors Hung, Chiang-Chuan and Hung, Wen-Yao are father-and-son relationship, which is complied with the Article 26.3 of the Securities and Exchange Act: no more than a half of the members in the Board of Directors are in a relationship of spouse or relatives with the second degree.

Information on the Management Team

Date: 17 April 2023

Job Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree		
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Job title	Name	Relationship
CEO (Note 1)	Republic of China	HUNG,WEN-YAO	Male	1997.08.26	15,392,323	8.91%	15,081,722	8.73%	0	0.00%	• Master, Electrical and Computer Engineering, Bradley University • President, Li Cheng Enterprise Co., Ltd.	None	None	None	None
Dept. of Yarn Manufacturing Senior Manager	Republic of China	CHI,YEN-CHENG	Male	2022.04.01	111,789	0.06%	0	0.00%	0	0.00%	• Department of Business Administration, Transworld University • Assistant manager, McDonald's Yunlin, Douliu	None	None	None	None
Dyeing and Finishing Dept. Senior Manager	Republic of China	TU,YI-WEI	Male	2022.04.01	0	0.00%	0	0.00%	0	0.00%	• PhD. Department of Engineering Science, National Cheng Kung University • Postdoctoral Research Fellow, Li Cheng Enterprise Co., Ltd.	None	None	None	None
Manager of Finance and Accounting Department	Republic of China	CHIEN,WEI-LUN	Female	2018.05.11	0	0.00%	0	0.00%	0	0.00%	• Department of Business Management, National Sun Yat-sen University • Deputy Account Manager, Finance Department, Tainan Enterprises Co., Ltd. • Accounting Administrator, Finance & Accounting Division, Chi Lin Optoelectronics Co., Ltd.	None	None	None	None

Note 1: Due to no qualified candidates now to fill up the position, the president HUNG,WEN-YAO is holding the position of general manager besides his president role. Since the president HUNG,WEN-YAO is an important and ultimate decision maker of the Company, we all agreed that he is temporarily the most ideal candidate of general manager.
To strength the supervising of the company's administration by the Board of Directors, the Company in 2023 is going to increase the number of independent directors from three to four, in which the half of the independent directors are not concurrently as employees or managements in the Company.

Remuneration to Ordinary Directors, Independent Directors, Supervisors, General Manager, and Deputy General Managers

(1) Remuneration to Ordinary Directors and Independent Directors (Individual Disclosure of Names and Remuneration Items)

Date: 31, December 2022

Unit: NT$ thousand

Job title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		Base compensation (A)		Retirement pay and pension (B)		Director profit-sharing compensation (C) (Note1)		Expenses and perquisites (D)				Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)						
																The Company		All consolidated entities				
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	Amount in cash	Amount in stock	Amount in cash	Amount in stock	The Company	All consolidated entities	
Director	HUNG,WEN-YAO	600	600	0	0	0	0	0	0			1,840	1,840	0	0	0	0	0	0			None
Director	HUNG,CHIANG-CHUAN	600	600	0	0	0	0	0	0			0	0	0	0	0	0	0	0			None
Director	HUANG,HUNG-LUNG	600	600	0	0	0	0	0	0			0	0	0	0	0	0	0	0			None
Director	CHEN,CHUN-HE	600	600	0	0	0	0	0	0	5,400/ -6.79%	5,400 -6.79%	0	0	0	0	0	0	0	0	7,240 -9.11%	7,240 -9.11%	None
Independent Director	CHEN,JUNG-ERH	1,200	1,200	0	0	0	0	0	0			0	0	0	0	0	0	0	0			None
Independent Director	LIN,MIN-KAI	600	600	0	0	0	0	0	0			0	0	0	0	0	0	0	0			None
Independent Director	FU,LUNG-MING	1,200	1,200	0	0	0	0	0	0			0	0	0	0	0	0	0	0			None

Note 1：In 2022, the Company has covered up its losses; therefore, no remuneration was distributed. The proposal will be submitted to the 2023 annual shareholders' meeting for approval.

(2) Remuneration to General Manager(s) and Deputy General Manager(s)

Date: 31, December 2022

Unit: NT$ thousand

Job Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note 1)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
								The Company		All consolidated entities				
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	Amount in cash	Amount in stock	Amount in cash	Amount in stock	The Company	All consolidated entities	
CEO	HUNG,WEN-YAO	1,836	1,836	0	0	4	4	0	0	0	0	1,840 -2.31%	1,840 -2.31%	0

Note 1：In 2022, the Company has covered up its losses; therefore, no remuneration was distributed. The proposal will be submitted to the 2023 annual shareholders' meeting for approval.

(3) Remuneration to the Five Highest Remunerated Management Personnel

Date: 31, December 2022

Unit: NT$ thousand

Job Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D) (Note 1)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	HUNG,WEN-YAO	4,958	4,958	0	0	1,016	1,016	0	0	0	0	5,974 -7.52%	5,974 -7.52%	None
Senior Manager	CHI,YEN-CHENG													None
Senior Manager	TU,YI-WEI													None
Finance & Accounting Manager	CHIEN,WEI-LUN													None

Note 1：In 2022, the Company has covered up its losses; therefore, no remuneration was distributed. The proposal will be submitted to the 2022 annual shareholders' meeting for approval.

(4) Remuneration to Employees' and Managements (Individual Disclosure of Names and Remuneration Items)

Date: 31 December 2022 Unit: NT$ thousand

	Job Title	Name	Amount in stock	Amount in cash (Note 1)	Total	Sum of ratio to net income (%)
Managements	President	HUNG,WEN-YAO	0	0	0	0.00%
	Senior Manager	CHI,YEN-CHENG				
	Senior Manager	TU,YI-WEI				
	Finance & Accounting Manager	CHIEN,WEI-LUN				

Note 1：In 2022, the Company has covered up its losses; therefore, no remuneration was distributed. The proposal will be submitted to the 2022 annual shareholders' meeting for approval.

(5) Below are the proportion of the total remuneration of directors, supervisors, general managers, and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net loss after tax in the financial statements of the past two fiscal years, policies and procedures for payment and relevance with operation performance and future risks:

(a) Analysis of the proportion of the total remuneration of directors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net loss after tax of the past two fiscal years:

Job Title	The Company			All companies in the consolidated financial statement		
	2021	2022	Increase/Decrease (%)	2021	2022	Increase/Decrease (%)
Director	-1.87%	-9.11%	-7.24%	-1.87%	-9.11%	-7.24%
General Managers and Deputy General Managers	-0.50%	-2.31%	-1.81%	-0.50%	-2.31%	-1.81%

(b) Policies, procedures, and package of remuneration to directors and managerial staffs:

If the Company has accumulated losses, profit shall first be used to offset accumulated losses and then to set aside directors' and supervisors' remuneration. The Company shall set aside less than 5% of income before taxes of the current year for directors' remuneration. The term "profit" is defined as net profit before tax prior to the deduction of employees', directors', and supervisors' remunerations. The remuneration of the general manager and deputy general manager includes salary and employees' remuneration, which are calculated based on their positions, the responsibilities assigned and the risk of business performance, and are distributed with reference to the industry standard.

(c) Procedures for payment to directors and managerial staffs and relevance with operation performance and future risks:

The remuneration of directors and managerial staffs of the Company is determined in accordance with the aforementioned policies and standards, submitted to the Remuneration Committee for evaluation and in turn proposed to the Board of Directors. Factors of evaluation on proposed renumeration are considered not only with their duties and contributions, but also long-term competitiveness, future operating strategy of the Company in response to the operational risk.

4. Implementation of corporate governance

(1) Information on implementation of the Board of Directors

Seven meetings were held by the Board of Directors in the most recent year (2022) with their attendances shown as follows:`

Job Title	Name	Attendance in person B	Attendance by proxy	Attendance rate in person (%)【B/A】	Remark
President	HUNG,WEN-YAO	7	-	100%	
Director	HUNG,CHIANG-CHUAN	-	7	0%	
Director	HUANG,HUNG-LUNG	7	-	83%	
Director	CHEN,CHUN-HE	7	-	100%	
Independent Director	CHEN,JUNG-ERH	5	2	83%	
Independent Director	FU,LUNG-MING	7	-	100%	
Independent Director	LIN,MIN-KAI	7	-	100%	

Other noteworthy matters:

1. the Board Meeting's date, session, proposal contents, all Independent Directors' opinions and the Company's actions in response to the opinions if any of the following occurred:

(1) Matters specified in Article 14-3 of Taiwan's Securities and Exchange Act:

Date & Period	Proposal	Independent Directors' opinions and disposal of the opinions
2022.03.04 (12th of 6th session)	Set up a subsidiary for investment.	Consent by all independent directors
2022.05.10 (14th of 6th session)	Amendments on articles in part of Regulations Governing the Acquisition and Disposal of Assets were approved.	Consent by all independent directors
2022.08.09 (15th of 6th session)	Approved the Company's capital loan and loan limit value with the subsidiary, Li Cheng Enterprise Vietnam Company Limited.	Consent by all independent directors

(2) Other matters apart from the aforementioned where an independent director has a dissenting opinion or qualified opinion: none.

2. Effort made by directors in preventing Conflict of Interests when required:

Date of the Board's meeting	Name of Director	Proposal	Reason for Preventing Conflict of Interests	Voting Status
2022.01.14	President HUNG,WEN-YAO	The Company's 2021 annual year-end bonus paid to the management team.	Avoid any interests when discussing with the personal renumeration.	Not participated in discussion and voting.
2022.12.16	President HUNG,WEN-YAO	The Company's 2022 annual year-end bonus paid to the management team.	Avoid any interests when discussing with the personal renumeration.	Not participated in discussion and voting.

3. Evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (such as the establishment of an Audit Committee, increase in transparency, etc.), and measures taken toward achievement thereof:

(1) The Company established an Audit Committee and Remuneration committee, to improve the regulations of corporate governance.

(2) The performance and evaluation of the Board of Directors: The convening of Board of Directors meetings is all complied with Rules of Procedure for Board of Directors Meetings. The attendance of directors and independent directors of the meeting was positive.

(3) Directors Liability Insurance: To ensure that the directors and managers in the execution of business activities can be protected, the Company purchases annually Directors and Officers Liability Insurance for the directors and managers.

(4) The Company has set up the "Rules for Performance Evaluation of Board of Directors" to evaluate the performance of the Board of Directors on an annual basis.

(5) The Company has set up the "Corporate Governance Best Practice Principles" in 2022.

(6) Filling up the position of corporate governance officer before Q2 2023.

4. The Board of Directors Evaluation and Implementation

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
Annually	2022.01.01～2022.12.31	The Board of Directors	Self-evaluation of board of directors	1. The degree of participation in the company's operations. 2. Improvement of board decision quality. 3. The composition and structure of the Board of Directors. 4. The selection and continuing education of directors. 5. Internal control.
Annually	2022.01.01～2022.12.31	Self-evaluation of board of directors	Each member of the Board of Directors	1. Understanding of the Company's goals and mission. 2. Awareness of directors' duties. 3. The degree of participation in the company's operations. 4. Internal relationship management and communication. 5. Continuing education of directors. 6. Internal control.
Annually	2022.01.01～2022.12.31	functional committees	Peers' evaluation	1. The degree of participation in the company's operations. 2. Awareness of the functional committees' responsibilities. 3. Improvement of board decision quality. 4. Functional committee composition and member selection. 5. Internal control.

(II) Information on operation of Audit Committee

In most recent year, the Audit Committee held 4(A) meetings, and the attendance of Independent Directors is as follows:

Job Title	Name	Attendance in person B	By proxy	Attendance rate in person (%) (B / A)	Remark
Independent Director	CHEN,JUNG-ERH	3	1	75%	
Independent Director	FU,LUNG-MING	4	-	100%	
Independent Director	LIN,MIN-KAI	4	-	100%	

Other noteworthy matters:

(1) When one of the following situations occurred to the operations of the Audit Committee, state the date, period, proposal contents, independent directors' objection, opinion with reservations or significant recommendation and resolutions of the Audit Committee, and the Company's actions in response to the opinions of the Audit Committee:

A. Matters specified in Article 14-5 of the Taiwan's Securities and Exchange Act:

Date & Period	Proposal	Independent Directors' opinions and disposal of the opinions
2022.03.25 (8th of 1st session)	1. 2021 Business Report and Financial Statements. 2. 2021 Internal Control System Statement.	Consent by all independent directors
2022.05.10 (9th of 1st session)	Amendments to partial content of the Procedures for Acquisition and Disposal of Assets	Consent by all independent directors
2022.08.09 (10th of 1st session)	The Company's capital loan and loan limit value with the subsidiary, Li Cheng Enterprise Vietnam Company Limited.	Consent by all independent directors

B. Resolutions passed by two-thirds of all Directors but without approval of the Audit Committee except for the preceding item: None

(2) Efforts made by independent directors in preventing Conflict of Interests when required: None

(3) Communications between the independent directors, the internal auditors and accountants (including means of communication and results, regarding Company financials, operations and other matters):

Date	Description	Suggestion/ Resolution
2022/03/25	1. The major matters of the communications between accountants: (1) The accountants explained in terms of the audit scope, process, results and key audit items of the 2021 annual financial statements and consolidated financial statement and discussed the findings during audit. (2) Discussion and communication were made between accountants and participants of the meeting. 2. Audit Report Progress Report for Q4 2021	Met with no objection
2022/05/10	Audit Report Progress Report for Q1 2022	Met with no objection
2022/08/09	Audit Report Progress Report for Q2 2022	Met with no objection
2022/11/08	1. Audit Report Progress Report for Q3 2022 2. 2022 Annual Audit Plan	Met with no objection

The difference between the corporate governance implementation and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons:

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
1. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE/GTSM-Listed companies?	✓		The Company has set a corporate governance code of practice based on the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies. Detailed information can be found on the MOPS and Company's website.	No deviation
2. Equity structure and shareholder rights.				
(1) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures?	✓		The Company has established a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders. The Company has also established a dedicated mailbox to process shareholders' suggestions or disputes. The shareholders of the Company may propose their suggestions on the Shareholders' Service link of the Company's website.	No deviation
(2) Does the Company have a list of those who ultimately control the major shareholders of the Company?	✓		The directors and major shareholders of the Company reports changes on a monthly basis in the number of shares held by them. The Company also keeps track of the shareholding status of major shareholders.	No deviation
(3) How does the Company establish its risk management mechanism and firewalls involving related enterprises?	✓		The Company has established the rules for specific companies or groups related business operations and financial transactions and supervision measures for subsidiaries. These rules regulate that the business contacts between the Company and its affiliated companies shall be approved by the Board of Directors and implemented accordingly.	No deviation
(4) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	✓		The Company has set operating procedures and critical control points to prevent insider trading. The procedures prohibit any insider trading made by all employees, managers, directors and any person who knows the Company's update information under occupation or control relationship with the Company. The internal training and announcement are also conducted on a regular basis.	No deviation
3. Organization and responsibilities of the Board of Directors				

<table>
<tr>
<td>(1) Has the Company established a diversification policy or specific goal for the composition of its Board of Directors and has it been implemented accordingly?</td>
<td>✓</td>
<td></td>
<td>
(1) Diversity within the members of the Board of Directors:
The members of the Board of Directors were selected based on their professional backgrounds that meet with the Company's development stage. The nomination and election procedures are based on the rules and procedures of the Articles of Incorporation and are conducted by candidates’ nomination system. Besides the consideration of their professional backgrounds, the election follows Guidelines Governing Election of Directors as well to ensure the diversity and independence of director members.
(2) Managerial objectives
The number of directors of the Company is 7 directors, whose professional backgrounds include corporate business strategy, accounting and finance, law, administration, and production management. In addition, they shall have the knowledge, skills and accomplishments necessary to perform their duties. The Company places great importance on the gender equality of the Board and aims for an addition of 1-2 female representations on the board.
(3) Achievements on objectives
independent directors with 43% of independent directors respectively. 2 independent directors tenure average below 3 years and 1 independent director has a tenure of 3-6 years. 3 directors aged under 60. 3 directors aged between 61-69 years of age. 1 director aged above 70 years of age. 3 directors are equipped with corporate management and investment experience. 2 directors are equipped with finance, accounting, and investment experience. 1 director with the background of law. 1 director with related industrial development experience.
<table>
<tr><th>Name of Directors</th><th>Gender</th><th>Industry experience</th><th>Business management</th><th>Accounting and Finance</th><th>Eengineering science</th><th>Law</th></tr>
<tr><td>HUNG,WEN-YAO</td><td>Male</td><td>v</td><td>v</td><td></td><td></td><td></td></tr>
<tr><td>CHEN,JUNG-ERH</td><td>Male</td><td>v</td><td>v</td><td></td><td></td><td></td></tr>
<tr><td>LIN,MIN-KAI</td><td>Male</td><td>v</td><td></td><td></td><td></td><td>v</td></tr>
<tr><td>FU,LUNG-MING</td><td>Male</td><td>v</td><td></td><td></td><td>v</td><td></td></tr>
<tr><td>HUNG,CHIANG-CHUAN</td><td>Male</td><td>v</td><td>v</td><td></td><td></td><td></td></tr>
<tr><td>CHEN,CHUN-HE</td><td>Male</td><td>v</td><td></td><td>v</td><td></td><td></td></tr>
<tr><td>HUANG,HUNG-LUNG</td><td>Male</td><td>v</td><td></td><td>v</td><td></td><td></td></tr>
</table>
</td>
<td>No deviation</td>
</tr>
</table>

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
(2) Has the Company established other functional committees besides the Remuneration Committee and Audit Committee?		✓	The Company set up an Audit Committee and Remuneration Committee and other corporate governance operations are assigned to other units based on their responsibilities. Other functional committees will be set up depending on future needs.	The same as description
(3) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual Directors' remuneration and nomination and renewal?	✓		The Company has set up "Director and Committee evaluation method", and the Company's internal performance evaluation for the Board of Directors is carried out by the directors themselves, and the evaluations are conducted yearly. The Remuneration Committee is authorized by the Company to prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers, and submit the proposal to the Board of the Directors for discussion.	No deviation
(4) Does regularly evaluate the independence of the CPA?	✓		The Company regularly assesses the performance and independence of the CPA through the BOD. The Company verifies that the contents include compliance of all CPA personnel with the independence policy by ensuring no employment, shareholding, and no other financial interests and business relationships with the Company and no other financial interests and business relationship with the Company except visa and other financial and tax fees.	No deviation
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?		✓	The Company has appointed the equity affairs group of the Board of Directors and staffs in the finance department to coordinating various corporate governance related matters, including: 1. Filling up the position of corporate governance officer before Q2 2023. 2. Holding the meetings of the Board of Directors and regular shareholders' meetings and preparing minutes of those meetings. 3. Handling the issues of company registration upon any changes, and preparing information needed for execution the business matters to directors. 4. Holding a legal person briefing session for the Company's performance evaluation in December 2022.	The same as description
5. Does the Company establish communication (including but not limited to shareholders, employees, clients, and suppliers) channels and dedicate section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?	✓		The Company has a spokesperson and a secondary spokesperson to communicate with external channels, and has set "Stakeholder Zone" and have the contact information for email (ir@li-cheng.com.tw). Any related contact window to on its website to respond to major concerns regarding corporate social responsibilities from stakeholders, and the comments and suggestions will be submitted to the department in charge to respond.	No deviation
6. Has the company appointed a professional stock affairs agency for shareholders affairs?	✓		The Company authorized "Taishin Securities, Stock Transfer Agency Department" as stock service agency to manage affairs related to shareholders' meetings.	No deviation
7. Information disclosure				
(1) Does the Company establish a website to disclose information on financial operations and corporate governance?	✓		The Company has established a website in Chinese and English (http://www.li-cheng.com.tw) and has placed financial and corporate governance information on its website. The website is regularly updated, and relevant information may be checked at MOPS website as well.	No deviation

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
(2) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	✓		1. The Company has an English website and is regularly updated the information. 2. The Company has delegated a professional in charge of disclosing relevant information; the interested investor can download the current years of financial information on the website. 3. The Company has set up and implemented a spokesperson and a secondary spokesperson system. 4. The video and the presentation of investor conferences have been uploaded on the Corporate Governance Zone of the Company's website and can be checked at the MOPS website.	No deviation
(3) Does the Company announce and report annual financia statements within two months after the end of each fiscal year and announce and report Q1, Q2, and Q3 financial statements, as well as monthly sales results, before the prescribed time limit?		✓	1. The Company's annual financial report were announced and submitted in advance in 3 months after the end of the fiscal year. 2. The first, second, and third quarter financial reports of the Company were announced and submitted in advance within the time limit specified by the law. The monthly sales results is submitted prior to the time limit specified by the law.	The same as description
8. Does the Company have other important information for better understanding the Company's corporate governance system(including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with stakeholders, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		1. Interests and rights of employees: To make employees live stable, the Company complies with Labor Standards Act and clearly regulates the rules of employee appointment, dismissal, attendance, salary, leave, rewards and punishments, gender equality, disaster injury compensation, and retirement. 2. Care for employees: The Company always treats employees as its family, as shown from the below aspects: (1) When employees encounter problems, the Human Resources Department can provide timely care. (2) The Company employs professional nurses to be stationed in the factory and has occupational medicine specialists regularly visit the factory to promote relevant trainings on safety and health. (3) In order to enhance the mutual trust and interdependence relationship between the company and its employees, it provides employees with a welfare system and comprehensive training, such as festival bonuses and staff accommodation. 3. Relation with investors: The Company has set up a spokesperson system with delegation of a professional to manage the suggestions and respond to both investors and shareholders. 4. Relation with suppliers: Good relations with suppliers are maintained at all times. In order to protect the ecology, suppliers are required to provide environmentally friendly raw materials. 5. Relation with stakeholders: The Company has set "Stakeholder Zone" on the Company's website and enables the stakeholders to communicate with the Company and provide suggestions and ensure their legitimate rights and interests. 6. Continuing education of directors: The directors of the Company regularly participate in corporate governance training courses based on the regulatory requirement. In the future, the directors will also participate in various business investigations and	No deviation

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
			advanced training courses. The accountants regularly report financial and corporate governance laws and information during the Board of Directors meeting. 7. Execution of risk management policies and risk measuring standards, execution of customer policies: the various risk management and measuring assessments shall be referred to Chapter 7 of this handbook (Risk Assessment). 8. Execution of customer policies: With its rich core competence in both industry and technology, the Company can provide customers with technical consultation and assist customers in developing new products. The Company has been striving for new product development, technology improvement, production enhancement, and business development, and has quite welcomed by the clients. 9. Liability insurance for the Company's directors and supervisors: The Company purchased liability insurances for directors and supervisors with an insured amount of USD 1 million during 25 June 2022 to June 24 2023.	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.		✓	(1) Improvement items (to be finished): 1.8 Will the Company upload the annual report before the meeting date 18th of this month of the Board of Directors' regular meeting? → The Company will upload the annual report in 2023. 1.10Will the company upload the English written meeting handbook and supplementary information of the meeting before the regular shareholders' meeting 21st this month? → The Company will upload the annual report in 2023. 1.15 Are the Company's internal rules formulated and disclosed on the Company's website to prohibit insiders such as Company directors or employees from using information that cannot be obtained in the market to make profits? → The Company's internal rules have been disclosed on the Company's website. 2.2 Does the Company set up a diversification policy on the Board of Directors' members, and disclose the implementation progress of the diversification policy both in the annual report and on the Company's website? → The information about the diversification policy was disclosed in 2022 annual report and on the Company's website. 2.25 Does the Company's independent directors adhere to "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" and its directed hours? → The company will enhance publicity and education to strengthen corporate governance.	The improvement items shall comply with the measures made by the competent authorities.

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
			Priority items to be improved and measures: (1) The Company is planning to formulate the code of integrity management and the code of practice for sustainable development, etc., to continue and strengthen the structure and operation of the Board of Directors and implement corporate social responsibility. (2) The Company places great importance on the gender equality of the Board and aims for an addition of 1-2 female representations on the board.	

(4) Organization, responsibilities, and operation status of the Remuneration Committee:

1. Information on Remuneration Committee Members

Date: 31 December 2022

Capacity	Name / Qualifications	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
Independent Director (Convener)	CHEN,JUNG-ERH	• He is expertise in commercial affairs, business operations, and operational decision management. • He was the CEO and president of DuPont Taiwan. • He has not been a person of any conditions defined in Article 30 of the Company Act.	1. He is an independent director of the Company, as well as the convener of the Company's audit committee and remuneration committee. 2. Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	None
Independent Director	LIN,MIN-KAI	• He is expertise in law and has legal professional qualification and is a qualified lawyer. • He has not been a person of any conditions defined in Article 30 of the Company Act.	1. He is an independent director of the Company as well as a member of audit committee and remuneration committee. 2. Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	1
Independent Director	FU,LUNG-MING (Note 1)	• He is at the lecturer level and above with respect to business operation and Industry development in both public and private universities. • He is a distinguished professor at Department of Engineering Science, National Cheng Kung University. • He is a jointly appointed professor at Department of Materials Engineering, National Pingtung University of Science and Technology.	2. He is an independent director of the Company as well as a member of audit committee and remuneration committee. 3. Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	None
Other	HSU,EN-TE (Note 2)	• He is at the lecturer level and above with respect to finance-related field in both public and private universities. • He was a professor of Department of Accounting, Tunghai University.	Describe the status of independence of each remuneration committee member, including but not limited to the following: whether the member or their spouse or relative within the second degree of kinship serves or has served as a director, supervisor, or employee of the Company or any of its affiliates; the number and ratio of shares of the Company held by the member, their spouse, and their relatives with the second degree (or through their nominees); whether the member has served as a director, supervisor or employee of a "specified company"; the amount(s) of any pay received by the remuneration committee member for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years: None	3

Note 1:The member, FU,LUNG-MING, took office on 4th March 2022.

Note 2:The member, HSU,EN-TE, resigned on 8th February 2022.

2. Operation status of the Remuneration Committee

(1) There are 3 members in the Company's Remuneration Committee.

(2) Current Term: From June 22, 2020 to June 21, 2023. The Remuneration Committee held 3(A) meetings in the recent year, the qualifications and attendance of the Committee are shown as follows:

Job Title	Name	Attendance in person (B)	By proxy	Attendance rate in person (%) (B/A)(Note)	Remark
Independent Director (Convener)	CHEN,JUNG-ERH	3	-	100%	
Independent Director (Member)	LIN,MIN-KAI	3	-	100%	
Independent Director (Member)	FU,LUNG-MING	2	-	67%	took office on 4th March 2022.
Other Members	HSU,EN-TE	1	-	33%	resigned on 8th February 2022

Other noteworthy matters:

1. If the Board of Directors does not accept Remuneration Committee's suggestions or amendments, it shall be made clearly on date of the board of director's meeting, period, proposals, resolutions made by the Board of Directors and disposal of opinions to the remuneration committee. The deviation and reasons shall be described and explained clearly as well.
   The Board of Directors does not accept Remuneration Committee's suggestions or amendments: None

2. With respect to the resolutions of the Remuneration Committee which Committee member has oppositions or reservations and with written records or declarations, it shall be stated clearly on date of the remuneration committee meeting, period, proposals and disposal of opinions to the remuneration committee.

Meeting Date & Period	Major Matters	Resolution	The Company's action regarding the Remuneration Committee
2022.01.14 (5th of 4th session)	The ratification of the Company's 2021 annual year-end bonus paid to the management team.	Passed by all remuneration committee members	Submitted to and passed by all attending directors.
2022.03.25 (6th of 4th session)	Ratification of the Company's 2021 remuneration paid to the directors, supervisors, and employees.	Passed by all remuneration committee members	Submitted to and passed by all attending directors.
2022.12.16 (7th of 4th session)	The ratification of the Company's 2022 annual year-end bonus paid to the management team.	Passed by all remuneration committee members	Submitted to and passed by all attending directors.

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? **(The TWSE/TPEx listed company shall report the implementation status. This is not a comply-or-explain provision.)**		✓	The Company has not yet established a sustainable development governance framework and set up a dedicated unit to promote sustainable development. However, all the departments of the Company have been adhering to a positive attitude and being responsible for the enterprise, business place, and the society, and spare no effort to implement environmental protection and social justice. The management team shall report the status of sustainable development to the Board of Directors when it is necessary. The Company will be estimated to set up a sustainable governance structure and a dedicated unit to promote sustainable development.	The same as description
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2) (The TWSE/TPEx listed company shall report the implementation status. This is not a comply or-explain provision.)	✓		The Company is in accordance with the materiality principle to formulate risk management policies and response measure by Dept. of Occupational Safety and Health, and regularly carries out environmental safety and health risk assessment and audits every year. Besides, the Company regularly checks operational and corporate governance risks through the internal audit system and reports the implementation status to the Board of Directors, in the aim of ensuring the proper running of risk management process.	No deviation
3. Environmental issues				
(1) Has the Company set an environmental management system designed to industry characteristics?	✓		1. The Company has been implementing an environmental management of factories and environmental protection projects in accordance with ISO14001 guidelines. The Company passed the certification of ISO 14001 (received 2020, and valid through 2023/12/4), and will renew the certification in 2023/11. 2. The Company has been implementing projects of factory occupational safety and passed the certification of ISO 45001 (received 2020, and valid through 2023/12/11), and will renew the certification in 2023/11. 3. The Company has been implementing projects related to energy control and energy conservation in accordance with the ISO50001 guidelines. The Company passed the certification of ISO 50001 (received 2022, and valid through 2025/11/10).	No deviation
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		1. Due to having dyeing and finishing production processes, the Company is considered as high water consumption user. In view of the year-by-year shortage of water resources, the Company therefore promotes water-saving measures: (1) Divide the total water consumption by the dyeing output to calculate the water consumption per kilogram of dyeing process.	No deviation

Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			(2) Set 2021 as the baseline year, and the water consumption in the base year is 0.5316cubic metre /kg. (3) Set 2026 as the target year, with an estimated reduction 0.13 cubic metre/kg of water consumption, and an annual water saving target to 0.026 cubic metre/kg. 2. The company has been promoting a water-saving project since 2022; the project was named "Water-Saving Plan: Combined Dye Solution with Dyeing Machine", with an estimated reduction amount 0.0259 cubic metre/kg of water consumption. After the promotion, a total of 0.0891 cubic metre /kg of water was saved, which is far exceeding the goal.	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		1. The company has paid attention to and checked the greenhouse gas emissions of domain 1 and domain 2 in the previous year, and indirectly reduced greenhouse gas emissions by using energy-saving and water-saving projects. In addition, the Company added domain 3 last year, which is the greenhouse gas emissions caused by transportation, and formulated a carbon reduction project to reduce emissions of domain 3. 2. This year, the Company proposed 5 projects to manage greenhouse gas emissions: a. Replacement of heat medium boiler pump b. Replacement of motor in wastewater treatment plant c. Water-saving project: combined dye solution with dyeing machine d. Project improved on heat source of K3 setting machine. e. Action plan on fuel saving (gasoline & diesel) It is estimated to reduce carbon emissions by 151 tons of CO2e/year. According to the final report, after promotion of projects, a total of 124 tons of CO2e was reduced.	No deviation
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		In response to the global trend of energy saving and carbon reduction, the Company has formulated a five-year strategic plan since 2019 and revised the standard in 2021. The five-year strategic plan includes energy & water saving, waste reduction (wastewater, gas and waste), and carbon reduction. The Company has set projects respectively to ensure to achieve the annual goals. 1. The Company's greenhouse gas emissions in 2021 were 15,330 tons of CO2e, as the calculations illustrated by each domain: a. Domain 1: 10,854 tons of CO2e b. Domain 2: 3,991 tons of CO2e c. Domain 3: 485 tons of CO2e 2. In 2022, the Company's greenhouse gas emissions were 21,065 tons of CO2e, as the calculations illustrated by each domain: a. Domain 1: 15,843 tons of CO2e b. Domain 2: 5,155 tons of CO2e c. Domain 3: 67 tons of CO2e	No deviation

Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			Due to more business activities involving in the supply chain in 2022, the value of greenhouse gas emissions was higher than last year (2021). 3. The way the Company calculates the waste is based on how many kilograms of waste will be produced per kilogram of cloth production. In 2021, every kilogram of cloth production produced a total of 0.3066 kilograms of waste: a. Toxic waste: 0.2604 kilograms b. Non-toxic waste: 0.0462 kilograms In 2022, every kilogram of cloth production produced a total of 0.3090 kilograms of waste: a. Toxic waste: 0.2622 kilograms b. Non-toxic waste: 0.0468 kilograms	
4. Social Issues				
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		The relevant management policies and procedures of the Company are set up in accordance with Taiwan's relevant laws, regulations and the workplace standards set by cooperative brand owners, including Work Rules, The Bribery and Corrupt Practices Act, Prohibition of Child Labor Provisions, and Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace. The Company has been regularly arranging the trainings and promoting those policies on the day of employee entry and every subsequent year.	No deviation
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		1. On top of salary adjustments in accordance with renumeration policy from promotions based on the job performance of employees, the Company also issues performance bonuses every year on the basis of the Company's revenue. In addition, holiday bonuses, wedding and funeral subsidies, maternity allowance, and subsistence are also made in each year; moreover, Employee Welfare Committee and Labor-Management meetings are also built up to ensure the employees' welfare. 2. The Company continues paying attention to the Labor Standards Act, the Act of Gender Equality in Employment, the measures of parental leave-without-pay, and the issue of leave related to the Covid-19, and on time making the internal announcements to meet workplace diversity and equality.	No deviation
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		1. The safety and health education and training will be implemented to the new employees on the day of entry, and their training records will be kept. In addition, self-defense firefighting team are set up, and firefighting and earthquake drills of the plant are regularly carried out every year. 2. The Company formulates maternal health protection plan, occupational health and safety related policies, hires professional nurses and labor safety personnel to promote the preceding policy, occupational accident handling procedures, and employee care, and	No deviation

Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
			regularly arranges occupational medicine specialists to the factory to provide consultation. 3. The number of occupational injuries in 2022 was 17, and the number of people injured was 17, accounting for 2.5% of the total number of 680 workers. The company investigates environmental safety and health risk assessment hazard factor every year, and proposes prevention, protection, correction and other measures in advance for all possible hazards in the environment, equipment, tools, materials, etc., with the following examples: a. Enhance the standard of audit operating procedures. b. Improve employee safety awareness by trainings. c. Provide safety slogans reminders for workplaces. d. Offer education and training to machine operators. e. Suggest use personal protective equipment. In addition, the company conducts employee health checks every year, holds disaster prevention drills, and arranges doctors to visit the factory every month to provide consultation.	
(4) Has the Company established effective career development training programs for employees?	✓		The Company plans newcomer training and on-the-job training for each employee. The newcomer training topics include work rules, workplace safety and health, and humanities training courses. In order to improve employees' work knowledge and skills, the Company arranges internal on-the-job training or external training courses according to the job needs and career development of employees., and the records of education and training will be kept.	No deviation
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		The Company complies with Taiwan regulations and workplace standards set by the cooperative brand owner, Nike, on the "Code of Conduct Leadership Standards" and "Workplace Standards". According to the terms of the contract signed with the order, it is implemented in the production process to protect the rights and interests of customers and meet the customer's shipping standards.	No deviation
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		The Company has set up the "LI CHENG Enterprise Workplace Standards" including labor rights and equality norms such as safety and hygiene, anti-discrimination and bribery, and prevention of sexual harassment to request the cooperative suppliers to conduct regular internal education and training and provide the relevant training records. The suppliers shall comply with relevant laws and regulations and provides a certificate or evaluation forms. In addition, the audit evaluation shall be carried out annually, and the status of the implementation of the supplier self-assessment is required as well.	No deviation
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		✓	The sustainability report will be expected to be completed in 2024 to 2025.	The same as description

Item	Implementation status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has not clearly stipulated a guideline for sustainable development best practice principles; however, the Company has been actively participating in various activities to fulfill corporate social responsibility.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: (1) Participation and establishment of social groups: The Company has participated in establishing Charitable Trust Wetec Forensic Accounting Research and Development Fund to give back to society, with the following aim: To assist Taiwan's social and economic development and assist to construct fair financial laws such as Company Act, Securities and Exchange Act, taxation law, and Corporate Governance Act, as well as legal systems related to Taiwan's social and economic development, the Company rewards, supports or participates in relevant academic research projects and the publication or seminars held by universities, associations, foundations, associations and individuals. (2) Industry-university cooperation: The Company cooperates with many colleges and universities in the regions of Yunlin, Chiayi, and Tainan, and offers students with a paid internship. To recruit more young talents to the textile industry, the management organizes regular education and training, and provides relevant skills and knowledge to cultivate and retain more talents. (3) Environmental protection: a. In October 2020, the Company was holding a mountain clean-up public activity with The Society of Wildness Association (Yunlin Branch), and took observations on the local environment and ecology of Longguomai hiking trail in Linnei Township. During the entire 2-kilometer journey, teachers from the association was leading the way and explaining the ecology while picking up the garbage: the total weight of clean-up waste was 3.7 kg. This clean-up activity has given us a lesson: Remember to take trash off the mountain while knowing the wild plants as well as doing mountains-climbing and exercise. b. In 2020, the Company held 2 seminars on the issue of environmental protection with Taiwan Organic Association in the aim of promoting the knowledge of organic lifestyle. By upholding the principles of " No Toxic Life, Yes to Organic Lifestyle, Environment-friendly, and Efficient Metabolism" , the colleagues could follow the principles for their own lives, and then extend care and cherish to the environment. c. Facing the threat of abnormal climate change, it has become a global trend to devote ourselves to energy saving and carbon reduction in order to slow down the crisis of global warming, and tree-planting is making the efforts of countries all over the world. The Company is upholding the values "afforestation & sustainability"; in September 2022, the Company signed an agreement with the Nantou Forest District Office to adopt forest trees. It is hoped that through the adoption action, the greenhouse effect can be reduced, the environment and people can be better, and thereby make contribution to the green earth.				

(6) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons:

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		✓	The Company has not set up ethical corporate management policies. However, the Board and management will maintain corporate governance by upholding the principle of ethical corporate management policies.	No deviation.
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	✓		The Company adheres to integrity and conform to laws; all personnel should uphold integrity and transparency and avoid any interests when performing their duties. To ensure the implementation of the assessment for business activities with a higher risk of being non-ethical, the Company has established an effective accounting and internal control systems that all internal auditors shall regularly check the compliance with the preceding systems.	No deviation.
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		The Company firmly implements ethical corporate management and prevents non-ethical behaviors through good corporate governance, risk control mechanism, and comprehensive set of rules and system.	No deviation.
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		All business activities of the Company are fair and transparent. To prevent transactions or contracts with those who have a record of non-ethical behavior, the authenticity and business credit of the related party will be confirmed before the transaction.	No deviation.
(2) Has the company set up a dedicated unit to promote ethical corporate management under the Board of Directors, and does it regularly (at least once a year) report to the Board of Directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	✓		The stock affairs group of the Board of Directors is responsible for the supervision and inspection of the Company's ethical corporate management, and regularly reports to the Board of Directors.	No deviation.
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		The company's work rules stipulate that: a. The employees are not allowed to disclose the Company's business or technical know-how. b. The employees are not allowed to read or save documents, correspondence, design drawings, electronic files and related materials that are not under their duties.	No deviation.
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the	✓		To ensure the implementation of the ethical corporate management, the Company has established an effective accounting and internal control systems that all internal auditors shall regularly check the compliance with the preceding systems. In addition, internal auditors are affiliated to the	No deviation.

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
systems to prevent unethical conduct or hire outside accountants to perform the audits?			Board of Directors and attend the meetings of the Board of Directors as non-voting delegates. Meanwhile, the auditors can report directly to the Board of Directors to ensure that the Company's operations are consistent with the resolutions made by the Board of Directors.	
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		The Company regularly holds internal and external education and training on ethical corporate management.	No deviation.
3. Implementation of Complaint Procedures				
(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	✓		To enhance unity and harmony and protect the rights of employees, the Company formulates the "Employee Complaint Measures" and provide an open and transparent complaint channel to assist employees to solve their problems related to personal rights or unfair treatment in their positions. The Company also set up an ad hoc group to the special needs of complaints.	No deviation.
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓		The procedure, measures, and confidentiality mechanism are explained detailly in the "Employee Complaint Measures. The Company has been regularly introducing the relevant complaint measures and promoting those policies on the day of employee entry and every subsequent year regularly to employees.	No deviation.
(3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓		The Company clearly stipulates the privacy protection rules of whistle-blowers and the obligations of relevant personnel to protect the rights and interests of employees filing complaints.	No deviation.
4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?		✓	The Company’s website will be expected to be completed within 1 to 2 years.	The same as description
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: The Company has not clearly stipulated a guideline for ethical corporate management best practice principles; however, the major governance principles have been covered in corporate governance.				
6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles): None				

(8) Other Company-established corporate governance rules and regulations:

a. Articles of Incorporation
b. Rules of Procedure for Shareholders Meetings
c. Regulations Governing Procedure for Board of Directors Meetings
d. Complaint Procedures
e. Regulations Governing the Acquisition and Disposal of Assets
f. Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees
g. Audit Committee Charter-Procedures for the Prevention of Insider Trading
h. Remuneration Committee Charter
i. Corporate Governance Best Practice Principles
j. Procedures for Handling Material Inside Information

Please refer to the Company’s website: http://www.li-cheng.com.tw/tw/structure

(9) Other Important Corporate Governance Information:

The Company’s Board of Directors has established a renumeration committee under the Board of Directors in response to changes in government regulations and corporate governance needs, and has formulated the regulations for the renumeration committee. The Company has formulated the Rules Governing the Scope of Powers of Independent Directors as well to facilitate the overall implementation of corporate governance.

(10)The implementation status of internal control shall be disclosed as follows:

1. Statement on Internal Control

LI CHENG ENTERPRISE CO., LTD.
Statement on Internal Control

Date: 2023.03.28

The Company (the Exchange) states the following with regard to its internal control system during fiscal year, based on the findings of its self-assessment:

1. The Company (the Exchange) is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company (the Exchange) has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company (the Exchange) contains self-monitoring mechanisms, however, and the Company (the Exchange) takes corrective actions as soon as a deficiency is identified.
3. The Company (the Exchange) judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company (the Exchange) has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company (the Exchange) believes that as of 31, December 2022 its internal control system (including its supervision and management of subsidiaries and its overall implementation of information security), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is—with the exception of the matters, if any, specifically listed in the Appendix— effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content 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.
7. This Statement has been passed by the Board of Directors Meeting of the Company (the Exchange) held on 28, March 2023, where 0 of the 4 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

LI CHENG ENTERPRISE CO., LTD.
President: HUNG,WEN-YAO (signature)
eneral Manager: HUNG,WEN-YAO (signature)

2. The Company is required by the Security and Futures Bureau to hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: ：None

11) Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year (up to the printing date of this Annual Report), and correction and improvement procedures: None

12) Important resolutions made by the Shareholders' Meeting and Board of Directors, from the current years and up to the printing date of this Annual Report:

A. The resolutions approved by the entire attending shareholders at the annual shareholders' meeting and its implementation:

Date of meeting	Resolutions	Implementation
2022. 06.15	I. Proposals	
	1. Adoption of the 2021 Business Report and Financial Statements	Approved
	2. Adoption of Deficit Compensation Statement	Approved
	II. Discussion and election matters:	
	Approved amendments to partial content of the Procedures for Acquisition and Disposal of Assets	Approved; implemented by the Shareholders' meeting resolution

B. Important resolutions of the Board of Directors

Date of Meeting	Resolutions
2023.03.04 (2nd of 2022)	1. Approved the supplemental appointment of members to the 4th Remuneration Committee. 2. Approved the investment on the establishment of a new subsidiary.
2022.03.25 (3rd of 2022)	1. Approved the distribution of compensation to Directors, Supervisors and employees for 2022. 2. Approved the adoption of the 2021 Business Report and Financial Statements. 3. Approved the 2022 Deficit Compensation Statement. 4. Approved the 2022 Internal Control System Statement. 5. Approved the convening of the 2023 General Shareholders' Meeting.
2022.05.10 (5th of 2022)	1. Adoption of the consolidated financial reports certified by accountants for Q1 2022. 2. Approved amendments to partial content of the Procedures for Acquisition and Disposal of Assets
2022.08.09 (5th of 2022)	1. Adoption of the consolidated financial reports certified by accountants for Q2 2022. 2. Approved the Company's capital loan and loan limit value with the subsidiary, Li Cheng Enterprise Vietnam Company Limited.
2022.11.08 (6th of 2022)	1. Adoption of the consolidated financial reports certified by accountants for Q3 2022. 2. Approved the 2023 audit plan. 3. Established Procedures for Handling Material Inside Information.
2022.12.16 (7th of 2022)	1. Approved the Company's 2022 annual year-end bonus paid to the management team. 2. Approved the establishment of Corporate Governance Best Practice Principles. 3. Approved the 2023 business plan.
2023.03.28 (1st of 2023)	1. Approved the distribution of compensation to Directors, Supervisors and employees for 2022. 2. Approved the adoption of the 2022 Business Report and Financial Statements. 3. Approved the 2022 Deficit Compensation Statement. 4. Approved the 2022 Internal Control System Statement. 5. Approved the amendments to partial content of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. 6. Approved the convening of the 2023 General Shareholders' Meeting. 7. Approved the Company's capital loan and loan limit value with the subsidiary, Occupation North Trading Co., Ltd.

13) **Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report:** None

14) **During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director and internal auditors had resigned or been dismissed:** None

5. Information on Accountants' Fees

Information on Accountants' Fees

Unit: NT$ thousand

Name of accounting firm	Names of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remark
KPMG Taiwan	Chang, Tzu-Hsin	2022/01/01~ 2022/12/31	1,220	0	1,220	
	Wu,Chun-Yuan	2022/01/01~ 2022/12/31				

1. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year, and shall be disclosed the audit fee before and after the alternation: None
2. When audit fees are 10% less than the previous year, the reduction in audit fee, ratio, and reason thereof shall be disclosed: None.

6. Alternation of CPA

Due to internal adjustments of duties in the certifying KPMG accounting firm, CPAs Chang, Tzu-Hsin and Chen, Cheng-Hsueh are in charge of the duties.

7. **The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise:** None

8. Equity transfer or changes in equity pledged by the Company's Directors, Supervisors, managerial officers or shareholders with shareholding percentage exceeding 10% in the most recent fiscal year up to the publication date of the Annual Report:

(1) Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders:

Job title	Name	Fiscal year 2022		Current fiscal year as of 2023.04.17	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
President	Hung,Wen-Yao	0	0	0	0
Director	Hung,Chiang-Chuan	(100,000)	0	0	0
Director	Huang,Hung-Lung	0	0	0	0
Director	Chen,Chun-He	(32,000)	0	0	0
Independent Director	Lin,Min-Kai	0	0	0	0
Independent Director	Chen,Jung-Erh	0	0	0	0
Independent Director	Fu,Lung-Ming	0	0	0	0
Major Shareholder	Ta-Sheng Investment Co., Ltd	0	0	0	0
CEO	Hung,Wen-Yao	0	0	0	0
Managerial Officer	Chi,Yen-Cheng	0	0	0	0
Managerial Officer	Tu,Yi-Wei	0	0	0	0
Managerial Officer	Chien,Wei-Lun	0	0	0	0

(2) Information on Transfers of Shareholding

Name (Note 1)	Reason for transfer (Note 2)	Date of transaction	Counterparty	Relationship between the counterparty and the Company, directors, supervisors, managerial officers, and major shareholders	No. of shares	Transaction price
Hung, Chiang-Chuan	gift	2022.12. 29	Hung, Wei-Shuo	father-son relationship	100,000	24.4

(3) Information on Equity Pledge: None.

9. Information on relationships among the top ten shareholders, their relationship to any of the other top 10 shareholders with which the person is a No.6 related party in compliance with Statement of Financial Accounting Standards or has a relationship of spouse or relative within the 2nd degree:

2023.04.21

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a No.6 related party in compliance with Statement of Financial Accounting Standards or has a relationship of spouse or relative within the 2nd degree		Remark
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Ta-Sheng Investment Co., Ltd	24,565,564	14.23%	0	0.00%	0	0.00%	I-He Investment Co., Ltd Hung, Wen-Yao Hung, Cheng-Yu Hung, Cheng-Yi Hung, Cheng-Yu	President Son Grandson Grandson Grandson	
Representative: Hung,Chiang-Chuan	1,344,665	0.78%	1,150,007	0.67%	0	0.00%			
Hung, Wen-Yao	15,392,323	8.91%	15,081,722	8.73%	0	0.00%	Yu, Ju-Ying Hung, Cheng-Yu Hung, Cheng-Yi Hung, Cheng-Yu	Spouse Son Son Son	
Yu, Ju-Ying	15,081,722	8.73%	15,392,323	8.91%	0	0.00%	Hung, Wen-Yao Hung, Cheng-Yu Hung, Cheng-Yi Hung, Cheng-Yu	Spouse Son Son Son	
I-He Investment Co., Ltd	14,219,549	8.23%	0	0.00%	0	0.00%	Ta-Sheng Investment Co., Ltd Hung, Wen-Yao Hung, Cheng-Yu Hung, Cheng-Yi Hung, Cheng-Yu	President Son Grandson Grandson Grandson	
Representative: Hung,Chiang-Chuan	1,344,665	0.78%	1,150,007	0.67%	0	0.00%			
Hung, Cheng-Yi	4,225,433	2.45%	0	0.00%	0	0.00%	Hung, Wen-Yao	Father	
Hung, Cheng-You	4,172,516	2.42%	0	0.00%	0	0.00%	Hung, Wen-Yao	Father	
Hung, Cheng-Yu	4,100,503	2.37%	0	0.00%	0	0.00%	Hung, Wen-Yao	Father	
Chou, Shih-Yuan	3,061,940	1.77%	0	0.00%	0	0.00%			
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,732,420	1.00%	0	0.00%	0	0.00%			
Investment account of Hong Kong Core Pacific Yamaichi Investment Fund Trust Custody Account managed by HSBC (Taiwan)	1,659,716	0.96%	0	0.00%	0	0.00%			

(10) Information on the number of shares of the companies invested by the Company's Directors, Supervisors and managerial officers or a company directly or indirectly controlled by the Company and consolidated percentage of shareholding:

Total Ownership of Shares in Investee Enterprises

Unit: Shares; %

Investee enterprise	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Time Leader Investments Limited	1,200	100%	0	0	1,200	100%
Occupation North Trading Co., Ltd.	250	100%	0	0	250	100%
Li Cheng Enterprise Vietnam Co., Ltd.	17,390	100%	0	0	17,390	100%

IV. Funding Status

1. Company capital and issuance of shares

(1) Sources of Capital

Unit: Share in thousand; NT$ thousand

Month/ year	Issued price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of capital	Capital paid in by assets other than cash	Other
1997.09	10	500	5,000	500	5,000	Founder shares	None	Note 1
1999.06	10	5,850	58,500	5,850	58,500	Capital increase by shareholder claims	Amount of shareholder claims : NT$ 53,500 thousand	Note 2
1999.11	10	13,000	130,000	13,000	130,000	Capital increase by shareholder claims	Amount of shareholder claims : NT$ 71,500 thousand	Note 3
2001.08	10	13,000	130,000	10,000	100,000	Capital reduction to cover losses	None	Note 4
2001.10	10	20,126	201,260	18,818	188,183	Capital increase by consolidation	None	Note 5
2002.10	10	25,434	254,335	24,453	244,529	Capital increase by cash and earnings	None	Note 6
2003.11	20	50,000	500,000	32,000	320,000	Capital increase by cash and earnings	None	Note 7
2004.10	10	50,000	500,000	42,000	420,000	Capital increase by earnings	None	Note 8
2005.11	10	50,000	500,000	43,680	436,800	Capital increase by earnings	None	Note 9
2006.11	11	50,000	500,000	48,740	487,400	Capital increase by cash	None	Note 10
2006.12	10	60,000	600,000	50,924	509,240	Capital increase by earnings	None	Note 11
2007.08	10	60,000	600,000	52,452	524,517	Capital increase by earnings	None	Note 12
2008.08	10	60,000	600,000	53,501	535,007	Capital increase by earnings	None	Note 13
2009.09	10	60,000	600,000	55,111	551,057	Capital increase by cash	None	Note 14
2010.09	10	60,000	600,000	57,420	574,201	Capital increase by earnings	None	Note 15
2011.08	10	80,000	800,000	61,440	614,396	Capital increase by earnings	None	Note 16
2012.10	10	80,000	800,000	64,020	640,201	Capital increase by earnings	None	Note 17
2013.10	10	80,000	800,000	69,398	693,978	Capital increase by cash	None	Note 18
2014.09	10	80,000	800,000	76,615	766,151	Capital increase by earnings	None	Note 19
2015.09	10	150,000	1,500,000	91,172	911,720	Capital increase by earnings	None	Note 20
2016.09	10	150,000	1,500,000	113,053	1,130,533	Capital increase by earnings	None	Note 21
2017.09	10	150,000	1,500,000	140,186	1,401,861	Capital increase by cash	None	Note 22
2018.09	10	150,000	1,500,000	148,597	1,485,973	Capital increase by earnings	None	Note 23
2019.10	10	200,000	2,000,000	161,079	1,610,794	Capital increase by earnings	None	Note 24
2020.09	10	200,000	2,000,000	172,677	1,726,771	Capital increase by earnings	None	Note 25

Note 1: Approved the change of registration on 26, September 1997 with the reference number: No. 238142.
Note 2: Approved the change of registration on 23, June 1999 with the reference number: No. 190190.
Note 3: Approved the change of registration on 24, December 1999 with the reference number: No. 088146051.
Note 4: Approved the change of registration on 28, September 2001 with the reference number: No. 09001386700.
Note 5: Approved the change of registration on 14, December 2001 with the reference number: No. 09001495920.
Note 6: Approved the change of registration on 26, November 2002 with the reference number: No. 09101470600.
Note 7: Approved the change of registration on 22, December 2003 with the reference number: No. 09233137390.
Note 8: Approved the change of registration on 4, November 2004 with the reference number: No. 09332976720.

Note 9: Approved the change of registration on 3, November 2005 with the reference number: No. 09433102120.
Note 10: Approved the change of registration on 17, November 2006 with the reference number: No. 09533157020.
Note 11: Approved the change of registration on 16, January 2007 with the reference number: No. 09601011230.
Note 12: Approved the change of registration on 31, August 2007 with the reference number: No. 09601213450.
Note 13: Approved the change of registration on 13, August 2008 with the reference number: No. 09701200900.
Note 14: Approved the change of registration on 29, September 2009 with the reference number: No. 09801223180.
Note 15: Approved the change of registration on 02, September 2010 with the reference number: No. 09901194650.
Note 16: Approved the change of registration on 03, August 2011 with the reference number: No. 10001174250.
Note 17: Approved the change of registration on 19, October 2012 with the reference number: No. 10101218010.
Note 18: Approved the change of registration on 29, October 2013 with the reference number: No. 10201216690.
Note 19: Approved the change of registration on 04, September 2014 with the reference number: No. 10301182740.
Note 20: Approved the change of registration on 15, September 2015 with the reference number: No. 10401194520.
Note 21: Approved the change of registration on 13, September 2016 with the reference number: No. 10501224590.
Note 22: Approved the change of registration on 19, September 2017 with the reference number: No. 10601131810.
Note 23: Approved the change of registration on 07, September 2018 with the reference number: No. 10701124800.
Note 24: Approved the change of registration on 03, October 2019 with the reference number: No. 11001132580.
Note 25: Approved the change of registration on 14, September 2020 with the reference number: No. 11101173860.

Unit: share/ Current year as of 21 April 2023

Type of stock	Authorized Capital			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	172,677,198	27,322,802	200,000,000	Listed Stocks

(2) Shareholder Composition

Date: 2023.04.21

Shareholder composition / Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	0	6	20	11,917	51	11,994
No. of shares held	0	269,212	38,982,553	123,461,096	9,964,337	172,677,198
Shareholding ratio	0.00%	0.16%	22.58%	71.50%	5.77%	100.00%

(3) Distribution of Shareholding

Date: 2023. 04.21

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 - 999	3,737	923,078	0.53%
1,000 - 5,000	5,656	12,622,717	7.31%
5,001 - 10,000	1,258	9,102,661	5.27%
10,001 - 15,000	481	5,939,922	3.44%
15,001 - 20,000	235	4,129,300	2.39%
20,001 - 30,000	226	5,587,805	3.24%
30,001 - 40,000	122	4,283,171	2.48%
40,001 - 50,000	58	2,627,350	1.52%
50,001 - 100,000	127	8,796,714	5.09%
100,001 - 200,000	42	5,820,985	3.37%
200,001 - 400,000	18	5,362,411	3.11%
400,001 - 600,000	9	4,204,466	2.43%
600,001 - 800,000	5	3,418,216	1.98%
800,001 - 1,000,000	3	2,621,504	1.52%
Above 1,000,000,000	17	97,236,898	56.31%
Total	11,994	172,677,198	100.00%

(4) List of Major Shareholders

Shareholders with shareholding percentage exceeding 5% or the name, shareholding, and shareholding (%) of the top 10 shareholders:

Date: 2023.04.21

Shares / Names of major shareholders	Shareholding (shares)	Shareholding (%)
Ta-Sheng Investment Co., Ltd	24,565,564	14.23%
Hung, Wen-Yao	15,392,323	8.91%
Yu,Ju-Ying	15,081,722	8.73%
I-He Investment Co., Ltd	14,219,549	8.23%
Hung, Cheng-Yi	4,255,433	2.46%
Hung, Cheng-You	4,172,516	2.42%
Hung, Cheng-Yu	4,100,503	2.37%
Chou, Shih-Yuan	3,061,940	1.77%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,732,420	1.00%
Investment account of Hong Kong Core Pacific Yamaichi Investment Fund Trust Custody Account managed by HSBC (Taiwan	1,659,716	0.96%

(5) Information on market price, net value, earnings and dividends per share in the recent two years

Unit: NT$/share

Item \ Year			2021	2022	Current year as of 31 March 2023 (Note 5)
Market price per share	Maximum		31.65	34.10	29.00
	Minimum		17.50	20.45	25.55
	Average		23.18	25.17	27.09
Net value per share (Note 4)	Before distribution		15.79	15.62	15.39
	After distribution		15.79	15.62	15.39
Earnings per share	Weighted average shares		172,677,198	172,677,198	172,677,198
	Earnings per share		-2.15	-0.46	0.06
DPS	Cash dividend		0	0	None
	Stock grants	0	0	0	None
		0	0	0	None
	Accumulated unpaid dividend		0	0	None
ROI analysis	PE		-10.78	-54.72	None
	PD		0	0	None
	Cash dividend yield		0	0	None

Note 1: PE = Current average closing price per share / Earnings per share.
Note 2: PD = Current average closing price per share / Cash dividend per share
Note 3: Cash dividend yield = Cash dividend per share / Current average closing price per share.
Note 4: In 2022, the Company has covered up its losses; therefore, no net value per share was distributed. The proposal was resolute on 28 March 2023 the Board of Directors' meeting.
Note 5: The information for Q1 2023 complies with International Accounting Standards (IAS). The financial information was certified and signed by Chang,Tzu-Hsinz CPA and Wu,Chun-Yuan CPA.

(6) Dividend policy and the status of implementation

1. The Company's dividend policy is in compliance with the Articles of Incorporation:
   According to the Articles of Incorporation of the Company, the Company shall distribute its surplus after the financial settlement as below in order:

(1) Pay income tax according to law.
(2) Cover up the losses for previous years.
(3) Set aside ten percent of said profits as a legal reserve.
(4) A special reserve shall be set aside if necessary.

After deducting the balance of the previous items, the Board of Directors shall prepare a shareholder dividend distribution proposal based on the balance and the previous year's earnings and submit it to the shareholders' meeting for a resolution .

The Company's dividend policy is based on the investment and funding needs of the Company, foreign and domestic business competition, and financial budget and shall be taken into account the shareholders' interest. The distribution proposals shall be planned by the Board of Directors and submitted it to the shareholders' meeting for resolution. Each year, cash dividends shall not be less than 10% of the proposed distribution of shareholder dividends.

2. Dividend distribution proposed for the next annual general meeting:
   In 2022, the Company has covered up its losses; therefore, no dividend was distributed. The proposal was drafted by the Board of Directors on 28 March 2023, and will be submitted to the general shareholders' meeting on 19 June 2023 for a resolution.

(7) The influence of the bonus shares issuance proposed at the current shareholders' meeting on the business performance and EPS of the Company:

Unit: NT$/share

<table>
<tr><td colspan="3">Item / Year</td><td>2022</td></tr>
<tr><td colspan="3">Opening paid-up capital</td><td>1,726,771,980</td></tr>
<tr><td rowspan="3">Dividend distribution of the current year</td><td colspan="2">Cash dividends per share (NTD)</td><td>0</td></tr>
<tr><td colspan="2">Stock dividends per share (from capitalization of earnings) (Note 1)</td><td>0</td></tr>
<tr><td colspan="2">Stock dividends per share (from capitalization of reserves)</td><td>0</td></tr>
<tr><td rowspan="7">Changes in business performance</td><td colspan="2">Operating profit</td><td rowspan="13">Note 2</td></tr>
<tr><td colspan="2">Year-on-year ratio variation of operating profit</td></tr>
<tr><td colspan="2">After-tax profit</td></tr>
<tr><td colspan="2">Year-on-year percentage variation of after-tax profit</td></tr>
<tr><td colspan="2">Earnings per share (NTD)</td></tr>
<tr><td colspan="2">Year-on-year percentage variation of earnings per share</td></tr>
<tr><td colspan="2">Annual average ROI (a reciprocal of annual average PE)</td></tr>
<tr><td rowspan="6">Pro forma EPS and PE ratio</td><td rowspan="2">If capitalized earnings were entirely distributed as cash dividends</td><td>Pro forma EPS (NTD)</td></tr>
<tr><td>Pro forma annual ROI</td></tr>
<tr><td rowspan="2">Without capitalization of reserves</td><td>Pro forma EPS (NTD)</td></tr>
<tr><td>Pro forma annual ROI</td></tr>
<tr><td rowspan="2">If capitalized earnings were entirely distributed as cash dividends without the capitalization of serves</td><td>Pro forma EPS (NTD)</td></tr>
<tr><td>Pro forma annual ROI</td></tr>
</table>

1. If the capital increase is out of earnings, the proposed earnings per share will be distributed in cash dividends.
   =〔Earnings after tax (EAT) -Estimated Interests on cash dividends*×（1-tax rate）〕/〔Total number of shares issued at the end of the year -Number of Stock Dividend from Retained Earnings**〕

   Estimated Interests on cash dividends * = Number of capital increase out of earnings ×one-year general lending interest rate

   Number of Stock Dividend from Retained Earnings**: It refers to allotments of the surplus profits on the basis of the shares held in the previous year.
2. Annual PE = Current average closing price per share on an annual basis / Earnings per share on annual financial statements

   Note 1: The proposal will be submitted and resolute in 2023 Shareholders General Meeting.

   Note 2: Following the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company does not need to disclose 2022 financial forecast information.

(8) Renumeration of employees, Directors and Supervisors:

a. Quantity or scope of compensation for employees, Directors, and Supervisors as stipulated by the Articles of Incorporation:

(1) Employees' Remuneration: The Company shall set aside employee remuneration if the Company has made the profits in the year, and no less than 2% shall be appropriated according to the amount of pre-tax profits of the current year.

(2) Directors' Remuneration: The directors' renumeration shall not be higher than 5% appropriated according to the amount of pre-tax profits of the current year.

If, however, the Company has accumulated losses, profit shall first be used to offset accumulated losses and then to set aside employees' and directors' remuneration. Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash which is resolute by the Board of Directors.

b. The basis for estimating the amount of employees, Directors, and Supervisors renumeration, for calculating the number of shares to be distributed as employees' renumeration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The surplus distribution proposal made by the resolution of the shareholders' meeting, if any change on the employee's and directors' renumeration, the amount of discrepancy shall be handled according to changes in accounting estimates and listed as profit or loss for the next year without affecting the recognized financial reports.

c. Renumeration proposal approved by the Board of Directors:

(1) The 2022 employee and director's remunerations were not distributed due to the profit losses. The proposal was drafted by the Board of Directors on March 28, 2022, and shall be submitted to the shareholders' meeting in 2023 for approval.

Item	Recognized Expenses (a)	Estimated distribution of renumeration (b)	Number of Discrepancy (a-b)	Reason and the Status of Implementation
Employees' Renumeration	0	0	0	None
Directors' Renumeration	0	0	0	None
Total	0	0	0	None

(2) The amount of employees' renumeration to be paid in stocks out of the current parent company only or individual financial report in terms of the sum of net profit after tax and employee renumeration:
The Company has not distributed employees' remuneration by stocks in recent years; therefore, the amount of employees' remuneration and its proportion to the 2022 total net profit after tax and the total amount of employees' remuneration is 0%.

d. Actual distribution of renumeration (including the number of distributed shares, amount, and stock price) for employees, Directors, and Supervisors and where there were discrepancies the recognized renumerations for employees Directors, and Supervisors, the difference, cause, and treatment of the discrepancy shall be described:

Item	Recognized Expenses (a)	Actual distribution of renumeration (b)	Number of Discrepancy (a-b)	Reason and the status of implementation
Employees' renumeration	0	0	0	None
Directors' Renumeration	0	0	0	None
Total	0	0	0	None

(9) Company share repurchase status: None

II. Issuance of corporate bonds: None.

III. Preferred Shares: None.

IV. Overseas depository receipt: None.

V. Issuance of employee stock options: None.

VI. Restrictions on status of new share issuance in connection with mergers and acquisitions: None.

VII. The implementation status of the capital utilization plan: None

V. Operation Overview

1. Business content

(1) Business scope

A. Maine content

a. Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories.
b. Spinning of Yarn.
c. Weaving of Textiles.
d. Printing, Dyeing, and Finishing.
e. Wearing Apparel.
f. Clothing Accessories.
g. International Trade.
h. except licensing business, all business items that are not prohibited or restricted by law.
Note: Other items include dyeing and finishing and buying and purchase of RSF yarn, raw materials.

2. Business weight

2022 revenue of the Company was NT$ 1,398,219 thousand, main sources of revenue are knitted fabric and raw materials, revenue ration of all product is stated as below:

Product	2022 Revenue	Accounted for 2022 business weight (%)
Knitted mesh	1,387,644	99.24%
Others	10,575	0.76%
Sum	1,398,219	100%

Note: Other items include dyeing and finishing and buying and purchase of RSF yarn, raw materials.

3. Current products and service items of the Company

(1) The Company's product is three-dimensional fabric with higher level technology, the characters of product is stated as below:

A. High breathability.
B. Lightweight and shock absorbing effect.
C. Do not need to process and stick, high environmental protection.
D. Thickness can be flexibly adjusted.

(2) Product items:

As having the preceding multiple features, our products can not be compared with general textiles, so they can be extensively applied to different fields, items are stated as below:

A. Sports shoes

The specific function of the product is most suitable for needs of sports shoes, it can be extensively used such as vamp, shoe body or lining. Lightweight, cool and comfortability can completely express on sports shoes.

B. Sportswear

As textile has three-dimensional effect, fibers of different function can be applied to two sides of textile through clever design, it can make textile have different effects, like cool in summer and warm in winter, hygroscopic and sweat releasing and antibacterial and deodorant, etc.

C. Car interior and office chairs

Match design of different type and various colors, it can increase visual effect of the three-dimensional fabric, and add specific shock-absorbing effect, make users feel cool, comfortable and further enhance product value.

D. Personal protective equipment

Specific shock-absorbing effect can replace traditional PU or PVC material, make stuffy and heavy protective gloves, elbow pads, knee pads and pads have feelings of lightweight, cool, comfortability and safety.

E. Lingerie

Characteristics of specific three-dimensional and varied visual effects, breathable, cool and lightweight, create irreplaceable and best materials of lingerie.

4. New products (service) of plan and development

A. Continuously develop various three-dimensional textile to meet market tendency.

B. R&D of high abrasion resistance fabric.

C. R&D of jacquard fabric structure.

(2) Business overview

1. Industry status and development

Woven products made by the Company, no matter single layer mesh or three-dimensional textile, current main material is sports shoes; three-dimensional textile in products has breathable, lightweight, shock-absorbing effect, and environmental protection is the main characteristic, so it's most suitable for materials of sports shoes, it's extensively used by main brands: Nike, Converse, Reebok, Asics, Brooks, NB, Herman Miller at present time, and its market acceptance is better, and predictable three-dimensional textile in the future will be indispensable material of sports shoes. Partial products are applied to fields outside shoe materials, for example, sportswear, lingerie, healthcare supplies and office chairs, etc.

In terms of shoe material, as demand of outdoor activities and non-sports shoes has increased, CAGR of estimated shoe material market scale increased 2.1% has increased from 2022 to 2027, and it will reach US$ 9.55 billion in 2027. In addition, as footwear materials like, leather, rubber, fabric and plastic, etc. have high comfortability and durability, they are sued for manufacturing sports shoes and running shoes.

As global population has constantly increased, the global population reached 8 billion until November, 2022, Asia is always the continent having most population in the world for a long time. Currently 4.2 billion people live in Asia, accounted for more than 60% of world population ratio. Therefore, demand of footwear is growing on and on, especial demand of Asian region increases is the main reason of increase of overall industry.

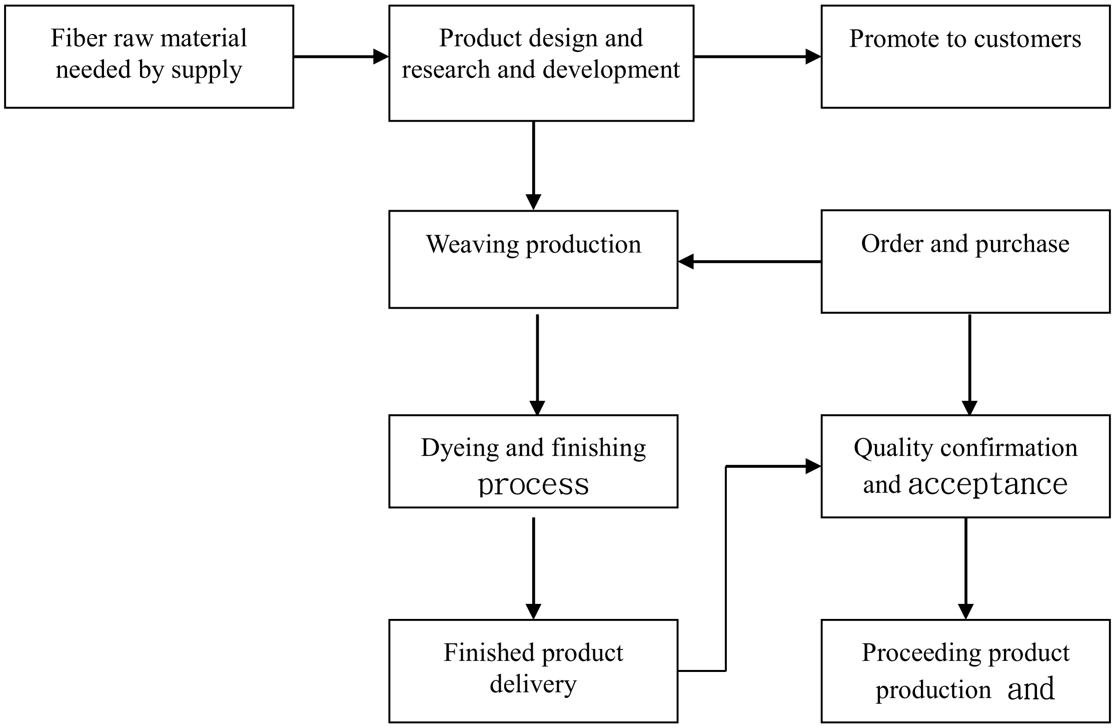
Since three-dimensional textile has special effects, like breathable, lightweight, flexible, therefore, except sports shoe materials, gradually in other fields, like lingerie, healthcare supplies or car interior, office chair, etc., all started to use this new material; therefore, in terms of three-dimensional textile produced by the Company, these new fields are new markets worth to develop.

As raise of materials and salary brings challenges for current environment of manufacturing industry, only integrating upstream and downstream industries of show industry, using technology to develop products more fitted with brand customers' or consumers' needs, constantly strengthening close cooperation relationship with customers, and striving to increase business benefits, this is the methods of increasing gross profit and resisting increase of costs.

2. Correlation of upstream, midstream and downstream industries

Textile industry of Taiwan has increasingly enhanced in manufacturing technology, under the development of mature professional division of labor, textile industry system is considerably complete, three-dimensional textile produced by the Company is located in midstream position of overall textile industry, it is stated as the chart below.

Upstream: fiber raw material	Midstream: weaving and dyeing and finishing	Downstream: shoe factory, garment factory, bag factory, etc.



3. Tendency of product development

(1) Healthy and functional products

With constant raise of life quality, consumers not only stay at satisfying basic needs, human desire is pushing forward them to constantly strive for anything satisfying comfortable of spirit and healthy of body for reaching the purpose of physical and mental health. So demand of some healthy and functional product springs up for satisfying demand and desire in different lives and working environments, for example:

A. Far infrared functional product.
B. Antibacterial and deodorant functional product.
C. Hygroscopic and sweat releasing functional product.
D. Waterproof and antifouling functional product.
E. Anti-UV functional product.
F. Protective and accumulation of heat functional product.

These functional product demand above, no mater shoe materials, healthcare or sportswear, all apparently indicate they are increasingly important, and become main product development tendency in the future.

(2) Environmental protection product

Environmental protection is no longer a slogan, it represents a consciousness, an activity for earth defense. Except enjoying convenience and satisfaction of life brought by technologies, we shall simultaneously think how to reduce or avoid bring pollutions and destroy for the earth, therefore, no matter consumers or industries, we all have a consciousness one another, promote a green consumption, so recyclable, reusable or biodegradable products will gain popularity for consumers.

Currently some world famous sporting goods brand, like Nike, Converse, Reebok, Asics, Brooks, NB all dedicate to development of sporting goods with environmental protection function, our Company manages recycled raw materials and manufacturing on line through corresponding RCS, and we believe it will become a main stream under the driven of these international famous brands.

4. Industry competition status

Three-dimensional textile manufactured by the Company, although it’s a kind of textile products, but needing production technology level is higher, and it has characteristics different from general traditional textile, so applicable filed of products and general traditional textile have apparently different market segmentation. Furthermore, the industry, no matter entering in barrier or exiting barrier, all more higher than general traditional textile industry, if a company does not control manufacturing technology and full of funds, generally speaking, it does not dare to rashly enter in the industry.

The Company not only controls R&D ability, but sustains good and satiable cooperation relationship with upstream raw material suppliers and downstream customers., so the Company has competitiveness in the dusty.

(3) An overview of the company's technologies and its research and development work

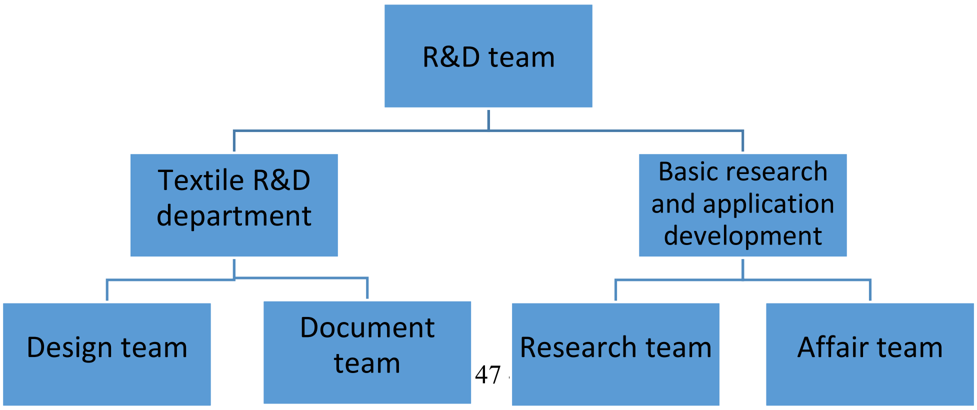
1. An overview of the company's technologies and its research and development work

The Company is professional manufacturer of three-layered three-dimensional textile, and a professional processing plant of fiber, weaving, dyeing and finishing, based on persistence of customer quality and innovative concept, the Company actively engages in technology development of three-layered three-dimensional textile, and fully utilized advanced computer fabric design system and new material processing technology combinations and value-added for establishing the Company’s professional and diverse dominant energy.

In the aspect of fiber, we constantly use new materials or cross field application material, research and develop innovative application products with environmentally friendly raw materials; in the aspect of weaving, we deepen processing technology of one-piece three-dimensional textile, research and develop composite functional three-layered three-dimensional textile and industrial textile of cross field use; in the aspect of dyeing and finishing, we strengthen core technology energy of dyeing and finishing, research and develop varied environment protection dyeing and finishing process technology; in the aspect of sales, professional business persons directly promote and introduce the Company’s products to designers, and synchronously obtain innovation and needs of design and function, wholeheartedly develop new products for meeting customers’ needs; and we actively cooperate with brand customers to develop products needed by consumers for expecting to lead and drive market demand tendency; and we dedicate to establish brand marketing strategy for striving for long-term development niche of the Company’s sustainable operation.

2. R&D organization status

The organization status of overall R&D team of the Company is stated as below:



3. Invested R&D expenditure of the most recent fiscal year or up to the date of publication of the annual report for that year

Unit: NT$ thousand; %

Item / Year	2019	2020	2021	2022	January- March, 2023
R&D expenditure	20,668	20,516	15,674	16,585	4,490
R&D expenditure/sales	0.90%	1.69%	2.44%	1.19%	1.18%
Growth rate of R&D expenditure	(3.62%)	(0.74%)	(23.60%)	5.81%	Estimated conversion all year 8.23%

The Company's R&D funds of the most current year and as of March 31, 2023, and accounted for ratio of sales is stated as the chart, all R&D plans raise product function, customer satisfaction, and we expect to promote growth of overall business operation.

4. As of annual report publication date, main developed successful technologies or products:

Developed successful technologies or products of the most recent fiscal year	Plan explanation	Current progress	Main influence factors of successful development in the future
Jacquard fabric structure development	Change research of jacquard fabric, developing innovative products different from existing jacquard fabric on the market.	Constantly research and develop.	Structural innovation, single-layered mesh,
Special dyeing fabric	Use innovative dyeing technology, develop innovative products with special visual effect.	Constantly research and develop.	The purpose of design is traditional honeycomb mesh.
Jacquard fabric special structure research	Focus on jacquard fabric, constantly research possibility of special weaving for raising performance of existing jacquard fabric.	Constantly research and develop.	Structural innovation mesh, good breathable, lightweight.

(4) Long-term and short-term business development plan:

1. Short-term plan

The Company constantly innovates and researches and develops new technologies in three-dimensional textile, expects to become a leading manufacturer of three-dimensional textile, and three-dimensional textile is still the main product in future product plan and development, short-term development plan is stated as below:

(1) Rise capacity efficiency to strengthen delivery rate on time: the Company is in parallel with order entrusting and planned production, high degree of customization, therefore we strengthen delivery rate on time through expanding production capacity and improving production process.

(2) Control market trend and sales information of consumer products, and communicate production with customers in time for meeting products of customers' needs to create revenue.

(3) Strengthen application of high functional and high additional value products of three-dimensional textile.

2. Long-term plan

We actively expand global market points, and integrate with market strategy of upstream, downstream cooperated manufactures, constantly add and develop new products, new customers and develop new business to raise market share. In addition, we positively control supply and demand dynamics of raw material market, constantly decrease and control purchase cost, and continuously sustain high gross profit margin, long-term development plan is stated as below:

(1) Strengthen development of global market, raise foreign order ratio: as we actively participate in all international exhibits in recent years, business department controls full resources of foreign market information, and it's enough to enhance develop foreign market.

(2) Establish plants in foreign low cost plant area: we may expand production scale to reduce cost of goods sold.

2. Market, production and sales overview

(1) Market analysis

1. Sales (providing) area of main products (services):

Unit: NT$ thousand

Region / Year		2021		2022	
		Amount	Rate (%)	Amount	Rate (%)
Export sales	Asia	328,633	51.12	897,340	64.17
	Europe	836	0.13	9,225	0.66
	America	16,811	2.61	42,885	3.07
	Africa	0	0.00	0	0.00
Domestic sales		296,616	46.14	448,769	32.10
Sum		642,896	100	1,398,219	100

2. Market share

The Company is a professional company of manufacturing knitted mesh, and 2022 market share of knitted fabric industry was 1.96%.

3. Future supply and demand status and growth of the market

(1) Supply status

The mass production bases of global three-layered mesh are Taiwan, China and Korea. Three-layered mesh has characteristics of breathable, lightweight, comfortability and shock absorbing effect, it's most suitable for sports shoes materials, and sports shoes material is large amount for the Company's sales customers. Asian region always plays an important status in the role of global footwear production base, footwear created maximum export trade profits for Taiwan, and production of sports shoes was the most representative, it won a good reputation of global shoe making kingdom for Taiwan in 1975. Based on factors, like market and risk, etc., international brand manufacturers gradually move purchasing focus to another place. To grab population of 2.3 billion in China, ASEAN and business opportunity brought from free trade agreement, and China, Vietnam, Indonesia are currently prior option of purchasing. Taiwanese businessmen followed the step of international large brand, marched forward to China, Vietnam, Indonesia, Cambodia for establishing plants and organizing a new settlement, it became upstream, midstream and downstream production bases in global important production bases.

(2) Demand status

According to the latest report of Grand View Research, Inc, global footwear market scale was expected to reach US$ 543.9 billion in 2030, and CAGR is 4.3% in 2022-2030. Knowing relevant diseases (e.g. pressure and obesity) of health and life style gradually increases, prompts global health awareness to increasingly raise, and the public's cognition of physical exercise and sports care gradually increases. It also increases the demand of fashion and comfortable footwear, and compares with the field of fashion, the field of sports and leisure is constantly increasing.

Sports does not only limit among athletes and sports fans, and it becomes an important part of daily leisure activities for the public. Over the past few years, female's participation also increases in the field of sports. The number of women purchasing footwear is increasing, the trend is expected to continue within forecast period. Technology innovation, marketing expansion, fit shoes awareness, and increase of disposable income, etc. are factors for accelerating footwear needs.

Currently sports shoes market divides into two large detailed fields of “professional sports” and “sports and leisure”. Functionality is primary consideration factor of professional sports products, and supplemented by comfortability and fashion. Therefore, the demand of footwear is growing on and on. northern American is most important of market distribution, accounted for 34%, EMEA accounted for 30%, Greater China accounted for 18%, and importance gradually raises. As brand gender leads and disease prevalence of the region raises, in the aspect of income, northern America occupies the leading position.

In research of global sports shoes market, considered main areas are Asia-Pacific, northern America, Europe, Latin America and other areas in the world. As the existence of strong market participants and teenager’s interest in sports shoes gradually stronger, and Asia-Pacific became main area of global market quota. In the aspect of sales channels, except existing channel of physical stores, the rising of e-commerce also changes shopping habits of consumers. Expanding product categories and penetrating in emerging market are key factors of growth. The main factor of market growth is increasingly prevalent of marketing strategy, for example, high-end and celebrity endorsements, and launching of more innovative sports shoes.

According to statistics, the scale of global sports shoes market is US$ 80-90 billion, CAGR of the past ten years was 7%, it has almost grown every year, the main reason of appearing decline was COVID-19 in 2020. The statistics of Statista showed that the consumption of global footwear market reached US$ 488.2 billion in 2022, and expectation of global footwear can present growth rate of 7.65%. Now the epidemic slows down, outdoor activities constantly increase, and it’s of benefit to return growth on sports shoes market. Footwear is consumer staple, with population number and disposable income constantly increases, and lifestyle keeps changing, it will be of benefit to sustain steadily increase for footwear market scale. Except constantly strengthening functionality of sports shoes, all large sports brands continuously proceed product innovation and diversity, expand target market of sports shoes to non-sports group, and we expect to keep steadily increase on sports shoes market in the future.

The trend of global sports leisure will constantly flourish, and overall market distribution will be more delicate. Except professional running market, in the aspect of sales, it needs to subdivide into combinations of different needs, like fitness, popular decoration and specific trend style, etc., and we strive for personal unique style of closing to consumers.

Plus technology development in the recent years, except constantly striving for environmental protection and functionality, textile started the concept of smart technology. Furthermore, in the aspect of overall market and demand of different types, mass production model of traditional manufacturing was no longer only development objective; we turn to actively think how to optimize current manufacturing model toward to more rapid customization manufacturing development.

The industry knows how to be more dedicate and rapid product production through division of labor, and has abilities of rapidly respond or forecasting market, etc., they will certainly influence the future, and thereby affect business management model and direction.

(3) Growth

Core business:

As one of main suppliers of global two large leading brands, the Company strives for core business, and it explains our basic advantages in this field.

Other applicable products in the future:

In recent years, Taiwan textile industry actively researches and develops new textile technologies, and develops diversified industrial textile. We can see innovative technologies of textile in industries, like medical care, environmental protection, industry and leisure, etc. They are also requirements and most favorable of textile industry development in Taiwan, and it meets global trend, raises proportion of industrial textile.

Taiwan textile industry has keen sense of touch and ability to develop high additional value industrial textile which is better than textile industries in other developing countries for control of global trend, and further leads to obtain market business opportunities.

4. Competitive niche

(1) Strong management team and technology develop ability

The Company's management team has complete industry background and knowledge, furthermore, provides technical consulting for customers with abundant industrial intelligence and technology, and assists customers to develop new products, constantly invests in product development, technology improvement, process improvement and business expansion, so under abundant experience and management of professional management team, no matter raising production technology, quality control and management and delivery date management, the team has excellent performance and receives good reputation from customers.

(2) Strong R&D ability

The Company has considerable strong R&D ability, we have invested in large amount of labor, material resources and funds to proceed various researches and developments for keeping retaining advantage of technology leadership from the establishment of the Company. Up to now, the Company applied in America and Taiwan and constantly obtained several patents, we can know that the Company has considerable strong R&D team, and continuously maintains the Company's competitiveness through solid R&D ability.

(3) Maintain long-term steady cooperation relationship with downstream customers

The Company strives for research and development, the management team has accumulated design experience of three-dimensional textile, it can assist downstream customers to develop latest and most market competitiveness products, help customers control marketability, lead to develop new products, and receive satisfaction and praise of customers in service quality and technology ability.

(4) Provide a few diversified products

Three-dimensional textile manufactured by the Company is quite complete from dedicate sportswear materials to durable sports shoes and mattress materials, it can not only satisfy customers' needs of few amount and diversity for establishing good customer relationship, deepen customers' dependence for the Company, but develop new customers through it, and it's of benefit to enter in field of various outdoor sporting goods for the Company.

5. Favorable, unfavorable factors and countermeasures of development prospect

(1) Favorable factors

A. Outdoor sporting goods market will continue to grow:

Information announced by foreign manufacturer Aigle and statistics information provided by Footwear & Recreation Technology Research Institute indicated that lifestyle changes along with constant raise of life quality, outdoor activities are nowadays one of another lifestyle, and outdoor life inevitably drives booming of market, like sports shoes, sportswear and outdoor backpack, etc.

B. Independent development of R&D team is strong, and R&D results are good:

R&D team of the Company has abundant R&D experience, except corresponding different customers' needs, and we actively continue to independent R&D and innovation for expecting to widen the gap among competitive same trade.

C. Diversity of product structure, it's favorable for satisfying needs of many fields and application:

Currently, three-dimensional textile manufactured by the Company is quite complete from dedicate sportswear materials to durable sports shoes and mattress materials, it can be not only favorable to have opportunity to enter in field of various outdoor sporting goods for the Company, but it conduces to reduce market risk.

(2) Unfavorable factors and countermeasures

A. It's not easy to cultivate professional talent, and labor costs raise:

Domestic current talent of product development is insufficient, main reason is most talent invest in industries, like electronics and finance, etc., they seem lukewarm for general traditional manufacturing, plus all famous brands have strict requirement for product quality in recent years, and delivery date shortens, they make employees have high work pressure and long work time, and cause high employee turnover, and it becomes worse for industries inherently less favorable.

Countermeasures:

a. Provide complete trainings and growth environment, it makes everyone develop his potential in accordance with personal expertise and features.

b. Provide a complete welfare system, and establish employee dividend plan and subscription plan of employee, and decrease employee turnover rate and raise employees' centripetal force.

c. Operation transparency, stock publicity for strengthening the Company's image, and effectively attracting talent.

B. Product shipment date is getting shorter.

When all famous brands would like to rapidly launch for grabbing market opportunity, time of product development and delivery date of mass production have constantly shortened, this behavior caused difficulty of factory operation, and increase of many operating costs.

Countermeasures:

a. Establishment of estimation model, future possible needs, no matter setting of raw materials need, safety stock of greige or schedule of dyeing and finishing delivery date, can obtain control and management of positivity and timeliness through estimation model operation, it will be helpful to decrease impact brought by shortened delivery date.

b. Simplify of operating procedure, fully use experiential learning curve, and make a complete and detailed analysis with long-term accumulated successful or failed experience work, it will be helpful to improvement and simplify of process, raise operational efficiency, and solve pressure brought by shortened delivered date.

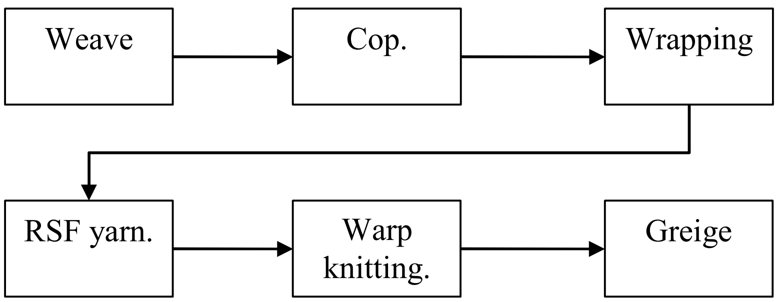
(2) Important use of main product and production process

1. Important use of main product

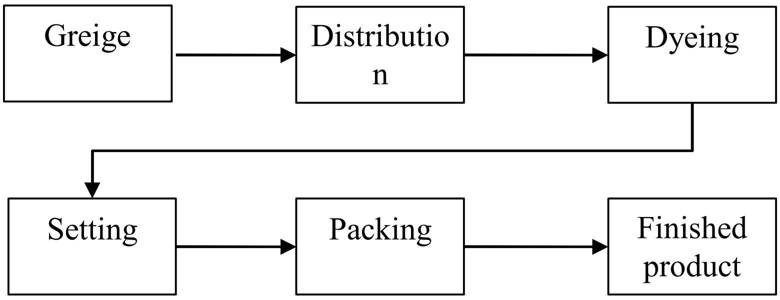
Main product	Application field
Knitted fabric	Sports shoes, sportswear, car interior (seat cushion, car inner roof), lingerie and shoulder pads, personal protective gear (helmet, crash pads, etc.), backpack, mattress, gloves, furniture, hat, laundry bag

2. Production process:

(1) Weaving production process chart



(2) Printing and dyeing finishing process chart



(3) Supply situation of main raw materials

The Company's main raw material is basic yarn, suppliers of raw materials are domestic famous manufacturers, they have good quality and reputation in the dusty, and have transactions with the Company for many years, and we have steady cooperation relationship, so supply situation of main raw materials is considerable steady, raw material resources of the Company are not shortage.

Raw material name	Supply manufacturer	Supply situation
Basic yarn	South Asia, etc.	Good

(4) Customer name and purchase (sales) amount and ration accounted for 10% or more of total amount of purchase (sales) amount of any fiscal year in the recent two years.

1. Main supplier information in the recent two years

Unite: NT$ thousand

Item	2021				2022				2023, as of the previous quarter (Note 1)			
	Name	Amount	Accounted for purchase net amount rate (%)	Relationship with issuer	Name	Amount	Accounted for purchase net amount rate (%)	Relationship with issuer	Name	Amount	Accounted for purchase net amount rate (%)	Relationship with issuer
1	A	123,866	54	None	A	196,210	46	無	A	59,416	65	無
2	D	30,508	13	None	C	84,122	20	無	C	12,608	14	無
3	E	20,990	9	None	B	67,621	16	無	B	5,655	6	無
4	Other	54,579	24	None	Other	75,411	18	無	Other	13,898	15	無
		229,944	100			423,365	100			91,577	100	

Note 1: As of the date of publication of the annual report for that year, financial information of the Company's first quarter was audited by accountants.

2. Main sales customer information in the recent two years

Unite: NT$ thousand

Item	2021				2022				2023, as of the previous quarter (Note 1)			
	Name	Amount	Accounted for purchase net amount rate (%)	Relationship with issuer	Name	Amount	Accounted for purchase net amount rate (%)	Relationship with issuer	Name	Amount	Accounted for purchase net amount rate (%)	Relationship with issuer
1	B	117,928	18	None	B	275,119	20	無	B	78,515	21	無
2	D	85,969	13	None	D	223,896	16	無	D	50,338	13	無
3	E	68,786	11	None	E	141,586	10	無	C	44,771	12	無
4	Other	370,213	58	None	Other	757,617	54	無	Other	206,018	54	無
		642,896	100			1,398,218	100			379,641	100	

Note 1: As of the date of publication of the annual report for that year financial information of the Company's first quarter was audited by accountants.

(5) Production value chart in the recent two years

Unit: ton; NT$ thousand

Year / Production Volume / Product type	2021			2022		
	Production capacity	Yield	Production value	Production capacity	Yield	Production value
Knitted mesh	8,976	1,910	777,977	8,976	3,448	1,076,833
Other (Note 1)	466	211	632	466	243	728
Sum	9,446	2,121	778,609	9,442	3,691	1,077,561

Note 1: the part of buying and purchase of other items include dyeing and finishing and RSF yarn, raw materials.

(5) Production value chart in the recent two years

Unit: ton; NT$ thousand

Year / Production Volume / Main product	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Capacity	Value	Capacity	Value	Capacity	Value	Capacity	Value
Knitted mesh	732	295,970	875	327,693	1,370	460,983	2,303	926,599
Other (Note 1)	42	6,741	29	12,492	16	2,890	17	7,747
Sum	773	302,711	904	340,185	1,386	463,873	2,320	934,346

Note 1: the part of buying and purchase of other items include dyeing and finishing and RSF yarn, raw materials.

3. Employees

(1) Employee information in the recent fiscal year or up to the date of publication of the annual report for that year

March 31, 2023

Year		2021	2022	As of March 31, 2023
Employee number	Production staff	506	538	536
	Management	67	74	75
	R&D staff	26	25	25
	Sales staff	49	42	40
	Sum	648	679	676
Gender	Male (%)	52.16%	52.84%	51.78%
	Female (%)	47.84%	47.16%	48.22%
Average age		34.2	34.2	34.5
Average service years		5.9	5.7	5.8
Education distribution rate	Doctor	1.23	1.03	0.74
	Master	6.64	5.01	5.47
	Junior college	51.85	54.93	53.55
	Senior high school	31.48	30.78	32.25
	Lower than senior high school	8.80	8.25	7.99

(2) Proportion of female supervisors

	2021	2022	As of March 31, 2023
Proportion of female junior supervisors	12.99%	17.72%	19.23%
Proportion of female mid-level supervisors	19.48%	20.25%	19.23%
Proportion of female senior supervisors	10.39%	6.30%	6.40%

4. Disbursements for environmental protection

(1) Any losses (including compensation) suffered by the company and total amount of disposal:

Year / Area	2022	As of March 31, 2023
Compensation amount or disposal situation	None	Yes/NT$ 325,962
Other loss	None	None

(2) Future countermeasures (including improvement) and possible expenditure (including possible estimated amount of loss, disposal and compensation caused by not adopting countermeasures, if it can't be reasonably estimated, fact of not reasonably estimating shall be explained):

Billing the waste water (sewage) and abnormal water quality (grease), as personnel shall stand in the bottom of well during operating procedure, it caused to stir the mud in the bottom, and made water color present dark color. The Company proposed abnormal grease billing doubt proposal for this case, 44 ton waste water (sewage) volume shall be amended to 9.22 ton, after reviewed, grease usage fee of sewage treatment system shall be adjusted to NT$ 325,962.

5. Labor relationship

To coordinate labor relationship, accelerate cooperation between labor with management, raise work efficiency, working conditions and employee rights, like employment, working hours, attendance, personal leave, rewards and punishments, promotion, retirement, etc., except complying with laws and regulations of government, the Company shall formulate work rules of the Company with labor negotiation, and quarterly convene labor conference for listening to problem report of employees, seek solutions, therefore, the labor relationship is always harmonious.

(1) All employee welfare measures, advanced studies, trainings, retirement system and implement status of the Company, and agreement between labor and management and maintenance measures of all employee rights status

To settle employee's life, make employees have no worries, concentrate on work, the Company shall handle labor insurance and national health insurance in accordance with laws, appropriate employee benefits and retirement reserve, organize employee welfare committee, and coordinate business, like employee welfare and retirement, etc. The welfare measures are stated as below:

1. To take care of physical and mental health of colleagues, the Company provides or sponsors welfare plan, and established employee welfare committee, and all employee welfare measures are stated as below:

(1) Employee health protection:

Handle labor insurance, national health insurance, employee group insurance, and periodical employee health examination.

(2) The Company specially provides:

Year-end bonus, shuttle bus, foreign staff dormitory, lunch supply and nursing room.

(3) Employee welfare committee provides:

Holiday bonus, birthday coupon, subsidy of wedding, funeral, giving birth, association activity and trip.

2. Retirement system and its implementation status:

The Company formulated employee retirement measures, it covers all permanent employees. According to the regulation, payment of employee retirement pension shall be calculated by cardinal number received serving years and average salary six months before retirement. Cardinal number received by each employee is service of the past one year, he can receive two cardinal number by serving for one year, and from 16th year, he can receive one cardinal number by calculation of serving for one year. In the retirement measures, all payment of retirement pension shall be paid by the Company. According to Labor Standards Act, the Company shall appropriate 2% of total amount of salary as labor retirement reserve, the special account is saved in Bank of Taiwan.

To conform to implementation of "Labor Pension Act" (hereinafter referred to as "new system") from July 1, 2005, after choosing applicable new system, serving years of employees originally applicable to the measures, or employees are on board after new system was implemented, their serving years was changed to adopt defined contribution plan, the Company shall appropriate 6% of monthly salary by month for payment of their retirement pension, and save in personal account of retirement pension.

3. Employee advanced studies and trainings

The Company's training is mainly divided into new employee orientation and professional vocational training, new employee orientation is letting new employees understand company profile and be familiar with main work content, and except professional trainings, professional vocational training includes cultivating innovative concept of employees and raising non-professional training of basic ability.

2022 training items	Class number	Total number of people	Total number of hours	Total expenditure
New employee orientation	66	274	528	0
Supervisory training	3	3	30	17,000
professional vocational training	93	141	1208.5	296,164
Sum	162	418	1766.5	313,164

4. Based on vision of enterprise long-term development, the Company formulated employee service principle

(1) Labor shall be devoted to his duty, comply with laws and regulations conformed by the Company, and obey reasonable commands of all supervisors.

(2) Labor shall internally work hard, take good care of public property, reduce loss, raise quality, increase production, and absolutely conserve business, technology or professional confidentiality externally.

(3) Labor shall step up level for position and business, shall not go over supervisor's head, but emergency or specific situation shall not apply.

(4) Except handling the Company's business, the Company's employees shall not exercise in the name of the Company externally; and shall no longer concurrently do business hindering the Company's business or engage in same business as the Company.

(5) Labor shall not meet family or friends without approval within working hours. However, when there's indeed important event, labor may meet customers in the designated place.

(6) Labor shall not bring guns, ammunition, murder weapon, combustibles or explosives in work place.

(7) Labor shall not take public property out of work place without approval.

5. The Company formulated Staff Reward and Punishment Measures, it's specified for rewarding or punishing of employees' behaviors, and protecting employees' work rights and exercising obligations.

6. Agreement between labor and management and maintain measures of all employee rights status

Following laws and regulations of Taiwan and work place standard formulated by cooperated brand owners, formulating relevant management policy and procedure, including "work rules", "anti-bribery and anti-corruption principle", "ban child labor and underage workers policy", "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment and Abuse", and the Company shall periodically arrange train gins and promotion on the date of employee induction and each year.

7. Protection measures of employees' work environment and personal safety, the Company mainly engages in textile, dyeing and finishing industries, upholding the concept of maintaining safety first and sustainable operation, staff under control of all organizations of the Company, will work together to promote ISO 45001 Occupational Health and Safety Management Systems, and establishing environment conformed to health and safety without concerning as protection measures of employees' work environment and personal safety.

(1) Summary of the Company's significant objectives and solutions

Number	Objective	Project	Existing circumstances	Implementation status
1	Energy saving, recycle, waste reduction	Dyeing machine and dye saving project	As the Company's main water consumption is bleaching and dyeing process, so water saving project is more effective in improvement of bleaching and	Combine dyeing needs of two different lap dip numbers to dye in the cylinder for saving water consumption of dyeing in many times. 1. Co-dyeing of production

			dyeing process. As dyeing plants have operational requirements, large amount of soft water is used in dyeing process, it's helpful to dye greige into designated color, and according to degree of difficulty and order of dyeing, soft water consumption is different, if we can arrange dyeing process and cylinder row in accordance with some general principle, it will reach the purpose of reduction of soft water consumption , and indirectly decrease tap water and groundwater waste.	management: production management department directly co-dyes with proper dyeing volume in existing cylinder type in accordance with order amount of business, total weight restriction after dyeing shall not exceed 80% of cylinder volume, three-layered fabric shall not exceed 70% of cylinder volume. 2. Co-dye on site: bleaching and dyeing department proceeds classification in accordance with greige weight of all lap dips, and according to co-dyeing principle of production management, we choose proper cylinder type to dye in the cylinder. 3. After promoting project, the sum of water saving was 311,048 ton/year.
2	Reduction of solid waste quantity	Standardization relative quantity of reducing solid waste: standardization relative quantity of production capacity per unit producing "household garbage", "waste cloth, waster fiber", "mud", "paper".	1. When throwing empty drink bottle into recycle bin, the persons will not empty residual liquid in the bottle; put recycled products into household garbage mistakenly. Reducing quantity of household garbage through training and promotion of recycled product types. 2. Industrial waste (e.g. waste fabric and waste fiber) shall be classified by material before throwing, and delivering to a recycling plant for recycling. 3. Mud output corresponds production capacity, and it shall be made by energy team of kinetic department, manufacture mud conformed to standard moisture content. 4. Auditing on line can replace printed paper document for running process and auditing.	After improving: 1. Sorting recycled products from household garbage in the inspection bucket for reaching reduction quantity of household garbage. 2. Sorting materials through textile plans and dyeing and finishing plants to reach standard of treatment plants, and increase recycled quantity to reach annual objective. 3. Control of mud quantity is made by standard of energy team of kinetic department, steadily producing mud conformed to standard moisture content. 4. Printing documents, running and auditing process is changed into auditing on line, raise paperless operation, for example, 2022 audit on line: sign and memorandum. 5. After promoting project, the sum of waste reduction was 1,215 ton/year.
3	Using better disposal method to replace incineration plant	Avoiding 90% or more of waste putting in incineration plan for disposing by incineration method.	1. Raising employees' waste disposal concept through trainings, and frequently inspecting sorting situation in the garbage truck for avoiding mixing reuse and recycle products in general waster, and finally they are put in incineration plant for disposal. The improvement method can effectively reduce proportion of burn disposal waste, and we expect to reach the objective of burn reduction. 2. Raising sorting precision and actively participating in inspection of household garbage through prompting garbage classification concept for factory personnel; waste fabric is sorted by materials in production process, and looking for legal recycle	1. Programmed and defined initially setting objective. 2. Developing cooperation partner, using reuse method to dispose waste fabric. 3. Promoting sorting by materials and inspecting waste areas in all plants. 4. After promoting project, disposal rate of incineration was 9.6870%, it reached 10% or less of the objective.

			industry to reprocess waste fabric into environment-friendly products after sorting, replacing past disposal method of burn, and we expect to reach 10% or less of reducing burn disposal method.	
4	Reducing fuel consumption of all vehicles	Saving gasoline and diesel activity project	1. Service life of the Company's cars is mostly long, gasoline and diesel consumption increases yearly as car depreciation situation, before car management does not reach service life and eliminate, programed to formulate management project for reducing gasoline consumption. 2. The management project is divided into two large aspect, first aspect is personnel management, second aspect is plan management. 3. "Personnel management" is programmed to periodically promote driving skills of gasoline saving for drivers, asking them to avoid unnecessary idle speed, stop step ping on the accelerator, etc., and before, middle and after driving, proceeding periodical inspection for influencing gasoline consumption factors, like tire pressure, etc., and on-site supervisor implements irregular audit and verification. 4. "Plan management" is programmed to reach the objective of gasoline total amount consumption from the aspect of actual operation through management operation, like "regular vehicle maintenance (vehicle maintenance)", "driving route evaluation (shorten distance)", and transport arrangement (empty car reduction or low bearing times, etc."	1. On-site supervisor proceeds to promote for truck drivers each month, promotion key points are driving skills and requirements, like safe driving, gasoline saving, and on-site supervisor often inspects on site, reminds truck drivers to implement vehicle check and avoids unnecessary idle speed. 2. After trucks are returned to the plant each day, driven distance shall be registered detailed for controlling that large truck shall be driven 7000 miles each day, and small truck shall be driven 5000 miles each day, and regular maintenance shall be arranged to implement, so all can effectively control car maintenance duty within one year, and postponement won't be occurred. 3. According to miles, traffic flow and risk factor, after evaluating each main freight transport route, all routes are best vehicle route in current phase, we not only adjust routes for shortening transportation mileage, and further become factor of driving risk level raise. 4. Each truck trip shall be proceeded to arrange trucks in accordance with "decrease empty car or reduce low bearing times", however, when shipping, time limit requirements and demand of every bearing time in all plants are different, so we can't use all bearing times to arrange trucks in accordance with the preceding principle. 5. Gasoline consumption increased by 11.25%, diesel fuel consumption increased by 13.20% in 2022, and compared with 2021, we analyzed the increase reason is increase of annual production capacity and order quantity, it caused raise of transport times, so it was higher than 2021 gasoline consumption. 6. Now refer to requirements implemented in 2021, like driving route evaluation, empty car reduction or bearing times decrease, etc., we constantly strengthen education for drivers, and expect to reach the objective of decreasing 1% gasoline consumption.
5	Decrease emission of greenhouse gases (CO_2)	Decrease of greenhouse gases promotion project	The Company defined total emission of greenhouse gases was 15,062 tonCO_2e in base year 2021, we expected to adopt energy saving and water saving project below, directly decreased objective of CO_2e emission. Management project was completed this year, we expected to reach setting	1. The sum of energy saving project is 2, the sum of natural gas saving project is 1, and gasoline and diesel saving project is 1 this year. 2. All coefficients are explained as below: According to information announced by Taiwan Power Company, electric carbon emission factor was 0.509 kgCO_2e/degree in 2021. According

			objective, and decreased 151 tonCO_2e.	to information announced by Taiwan Water Corporation, CO_2 emission of water consumption per degree was 0.161 kgCO_2e/ton. According to heating value transfer coefficient of energy product unit announced by Bureau of Energy, 1 liter of gasoline equaled to 9.07 kWh, and 1 liter of diesel fuel equaled to 9.76 kWh. 3. In summary, after transferring calculation, overall carbon emission was 117.5 tonCO_2e.

(2) Following promotion activities of environment and occupational safety and health:

A. Comply with laws and regulations:

Currently complying with applicable laws and regulations in Occupational Safety and Health Act, and other requirements pursuit by the Company for providing employees a safe working environment.

B. Respect life:

Supervisors at all levels and all staff have responsibility to assure equipments, safety and health of personnel in the scope of duties for decreasing risks, like injury of contractor, supplier, contract worker, temporary workers and outsourced personnel, fire, electric shock, fall down, traffic accident, property loss, etc., and reaching the objective “zero disaster, zero accident, zero pollution”, and establishing a complete health examination system to accelerate health management and employee benefits.

C. Constantly promote occupational safety and health policy:

Constantly promoting improvement of occupational safety and health and performance activities, preventing harm and disease, decreasing occupational injury and property loss of the Company’s all staff, and strengthening management of contractors, dedicating to avoid harm caused by contract work.

D. Implementing trainings and promoting trainings and activities of occupational safety and health management, it can make all staff of the Company recognize occupational safety and health policy and personal responsibility, and the policy will be published in public, and periodical review can assure its applicability.

(2) In the most recent fiscal year and as of the date of publication of the annual report for that year, loss caused by labor dispute, and disclose current and future estimated amount that may occur and countermeasures, if reasonable estimation can not be made, the fact shall be explained:

There’s not this circumstance.

6. Cyber security management

(1) Explain cyber security risk management structure, cyber security policy, concrete management project and invest in sources of cyber security management, etc.

The Company established information department, it's responsible to maintain enterprise software system and formulate, adjust and improve cyber security policy for issues of internal and external cyber security; the Company proceeds promotion of cyber security, drill of social engineering and drill of disaster recovery in the fixed time, and constantly raises cyber security concept and consciousness for the Company's colleagues to avoid confronting cyber security event and influencing business operation for the Company.

1. Cyber security - firewall blocks internal and external networks through monitoring output and input network traffic on monitoring panel, according to cyber security rules defined by colleagues in charge, transferring packet or flow of controlled trust network and untrusted network; data transferring among plants through encrypted channel, colleagues in charge of cyber security simultaneously monitor MRTG flow and abnormality of Firewall Hit count, analyze traffic and clear abnormal cyber security situations everyday; the part of E-mail shall be installed SPAM to block trash, scam and virus mails.
2. Device safety - installing endpoint protection software; except daily setting of block strategy, when colleagues in charge of cyber security receive the warning notice, they will check event record and block situation first, and check details of event, compare with relevant information, like VirusTotal, etc., check file information, network correlation, relevant read and write files and loaded dynamic module; checking time sequence of events, correlation influence of relevant host, and investigating files of same event, etc. if they are saved in other host or loop, and simultaneously assuring whether malicious files have isolation or not, whether external script or tool files are indeed eliminated or not, when the situation seriously influences and reporting, network isolation shall be proceeded immediately. Finally, archiving relevant record, evidence and influence, and informing relevant personnel, department, institution, or reporting to competent authority.
3. Personnel education and training - promoting basic cyber security knowledge for colleagues, and establishing a drill of E-mail, social engineering, phishing email twice a year, and assuring colleagues are able to clearly identify when they confront all risk and threaten.
4. Information protection - users make relevant information, like ERP DB, File Server and Mail Server, etc., except making a backup in the host, when colleagues in charge of cyber security work everyday, they assure safety of system environment and record files of backup host, and proceed to backup in another host and another place, and make sure when the Company's information system suffered from force majeure disaster or personnel sabotage, the system can be recovered to normal operation within the shortest time.
5. Permission protection - according to user permission restriction, users can access systems, like ERP system and file server, etc., and the document of user's application permissions shall be kept for the following verification.

(2) Listing year and as of the date of publication of the annual report for that year, loss caused by significant cyber security event, possible influence and countermeasures, if reasonable estimation can not be made, the fact shall be explained:

There's not this circumstance.

7. Important contract

Currently effective existent supply and marketing contract, technical cooperation contract, engineering contract, long-term loan contract, and important contracts enough affecting investor rights:

Contract Property	Party	Contract Effective Date	Main Content	Restriction Term
Long-term loan	Taiwan Business Bank Co., Ltd.	August 9, 2007 - August 9, 2023	Long-term guaranteed loan contract	None
Long-term loan	Taiwan Business Bank Co., Ltd.	April 1, 2009 - April. 1, 2024	Long-term guaranteed loan contract	None
Long-term loan	Bank of Taiwan	September 26, 2011 - September 26, 2026	Long-term guaranteed loan contract	None
Long-term loan	Land Bank of Taiwan	December 25, 2012 - December 25, 2023	Long-term guaranteed loan contract	None
Long-term loan	Bank of Taiwan	December 16, 2013 - December 16, 2028	Long-term guaranteed loan contract	None
Long-term loan	Taiwan Business Bank Co., Ltd.	September 14, 2017 - September 14, 2036	Long-term guaranteed loan contract	None
Long-term loan	E.SUN Bank	January 18, 2018 - January 18, 2023	Long-term guaranteed loan contract	None
Long-term loan	E.SUN Bank	February 2, 2018 - February 2, 2023	Long-term guaranteed loan contract	None
Long-term loan	Land Bank of Taiwan	September 7, 2018 - September 7, 2032	Long-term guaranteed loan contract	None
Long-term loan	E.SUN Bank	September 12, 2018 - September 12, 2023	Long-term guaranteed loan contract	None
Long-term loan	E.SUN Bank	September 27, 2018 - September 27, 2023	Long-term guaranteed loan contract	None
Long-term loan	E.SUN Bank	November 2, 2018 - November 2, 2023	Long-term guaranteed loan contract	None
Long-term loan	Bank of Taiwan	December 7, 2021 - December 7, 2033	Long-term guaranteed loan contract	None
Long-term loan	Taiwan Business Bank Co., Ltd.	July 4, 2022 - July 4, 2026	Long-term guaranteed loan contract	None

VI. Finance Overview

1. Financial information of the most recent five fiscal years

(1) Condensed balance sheet and statement of comprehensive income information

A. Condensed balance sheet - Consolidated

Unit: NT$ thousand

Year / Item		Financial information of the most recent five fiscal years (Note 1)					As of March 31, 2023, financial information of the current year (Note 2)
		2018	2019	2020	2021	2022	
Current assets		1,449,455	1,460,443	1,431,611	1,332,736	1,040,385	993,140
Property, plant and equipment		3,106,929	2,990,884	2,876,850	2,987,244	3,018,778	2,991,540
Intangible assets		3,788	3,775	3,146	2,054	1,329	1,077
Other assets		299,454	563,129	649,832	639,731	845,822	828,979
Total assets		4,858,626	5,018,231	4,961,439	4,961,765	4,906,314	4,814,736
Current liabilities	Before distribution	547,762	520,099	539,145	687,187	830,821	790,827
	After distribution	494,267	442,781	539,145	687,187	Note 3	None
Non-current liabilities		1,272,087	1,172,794	1,307,315	1,547,257	1,378,038	1,322,384
Total liabilities	Before distribution	1,819,849	1,692,893	1,846,460	2,234,443	2,208,859	2,113,211
	After distribution	1,766,354	1,615,575	1,846,460	2,234,443	Note 3	None
Interests attributable to parent company owner		3,038,777	3,325,158	3,114,979	2,727,322	2,697,455	2,701,233
Share capital		1,485,974	1,610,796	1,726,773	1,726,773	1,726,773	1,726,773
Capital reserve		42,859	42,859	42,859	42,859	42,859	42,859
Retained earnings	Before distribution	1,509,356	1,697,089	1,395,978	1,025,157	908,736	918,283
	After distribution	1,300,221	1,442,132	1,395,978	1,025,157	Note 3	None
Other equity interest		588	(25,586)	(50,631)	(67,467)	19,087	13,318
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,038,777	3,325,158	3,114,979	2,727,322	2,697,455	2,701,233
	Before distribution	2,985,282	3,247,840	3,114,979	2,727,322	Note 3	None

Note 1: financial statements of 2018 -2022 have adopted IFRS, financial information was audited by KPMG.

Note 2: first quarter of year 2023 has adopted IFRS, financial information was audited by accountants Chang, Tzu-Hsin and Wu, Chun-Yuan.

Note 3: 2022 loss recovery proposal will be submitted to 2023 shareholders' meeting for approval.

. Condensed balance sheet - Individual

Unit: NT$ thousand

Year / Item		Financial information of the most recent five fiscal years (Note 1)					As of March 31, 2023, financial information of the current year (Note 2)
		2018	2019	2020	2021	2022	
Current assets		1,306,988	1,522,143	1,592,483	1,356,594	1,281,645	993,140
Property, plant and equipment		3,106,355	2,908,330	2,701,808	2,696,662	2,556,312	2,991,540
Intangible assets		3,788	3,775	3,146	2,054	1,329	1,077
Other assets		441,816	583,803	664,539	906,355	1,066,036	828,979
Total assets		4,857,947	5,018,051	4,961,976	4,961,665	4,905,322	4,814,736
Current liabilities	Before distribution	547,083	520,099	539,682	687,087	829,829	790,827
	After distribution	493,588	442,781	539,682	687,087	Note 3	None
Non-current liabilities		1,272,087	1,172,794	1,307,315	1,547,256	1,378,038	1,322,384
Total liabilities	Before distribution	1,819,170	1,692,893	1,846,997	2,234,343	2,207,867	2,113,211
	After distribution	1,765,675	1,615,575	1,846,997	2,234,343	Note 3	None
Interests attributable to parent company owner		3,038,777	3,325,158	3,114,979	2,727,322	2,697,455	2,701,233
Share capital		1,485,974	1,610,796	1,726,773	1,726,773	1,726,773	1,726,773
Capital reserve		42,859	42,859	42,859	42,859	42,859	42,859
Retained earnings	Before distribution	1,509,356	1,697,089	1,395,978	1,025,157	908,736	918,283
	After distribution	1,300,221	1,442,132	1,395,978	1,025,157	Note 3	None
Other equity		588	(25,586)	(50,631)	(67,467)	19,087	13,318
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,038,777	3,325,158	3,114,979	2,727,322	2,697,455	2,701,233
	After distribution	2,985,282	3,247,840	3,114,979	2,727,322	Note 3	None

Note 1: financial statements of 2018 -2022 have adopted IFRS, financial information was audited by KPMG.

Note 2: first quarter of year 2023 has adopted IFRS, financial information was audited by accountants Chang, Tzu-Hsin and Wu, Chun-Yuan. Only consolidated statement was reviewed in first quarter, consolidate statement was not reviewed.

Note 3: 2022 loss recovery proposal will be submitted to 2023 shareholders’ meeting for approval.

B. Condensed statement of comprehensive income - Consolidated

Unit: NT$ thousand

Year / Item	Financial information of the most recent five fiscal years (Note 1)					As of March 31, 2023, financial information of the current year (Note 2）
	2018	2019	2020	2021	2022	
Operating revenue	2,046,729	2,300,674	1,217,165	642,896	1,398,2191	379,641
Operating margin	584,898	741,776	46,785	(269,175)	124,170	90,686
Operating income	355,131	491,105	(157,026)	(436,025)	(158,591)	29,134
Non-operating income and expenses	24,489	(28,622)	2,529	(28,197)	100,881	(14,711)
Profit before tax	379,620	462,482	(154,497)	(464,222)	(57,710)	14,423
Net income of continuing business units	308,181	364,046	(108,638)	(371,570)	(79,481)	9,526
Loss of suspended business unit	0	0	0	0	0	0
Net income (loss)	308,181	364,046	(108,638)	(371,570)	(79,481)	9,526
Other comprehensive income, net of tax	(421)	(24,170)	(24,223)	(16,087)	49,614	(5,769)
Total comprehensive income	307,760	339,876	(132,861)	(387,657)	(29,867)	3,757
Net income attributable to stockholders of the parent	308,181	364,046	(108,638)	(371,570)	(79,481)	9,547
Net income attributable to non-controlling interests	0	0	0	0	0	(21)
Total comprehensive income attributable to stockholders of the parent	307,760	339,876	(132,861)	(387,657)	(29,867)	3,757
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	2.07	2.11	(0.63)	(2.15)	(0.46)	0.06

Note 1: financial statements of 2018 -2022 have adopted IFRS, financial information was audited by KPMG.

Note 2: first quarter of year 2023 has adopted IFRS, financial information was audited by accountants Chang, Tzu-Hsin and Wu, Chun-Yuan.

B. Condensed statement of comprehensive income - Individual

Unit: NT$ thousand

Year / Item	Financial information of the most recent five fiscal years (Note 1)					As of March 31, 2023, financial information of the current year (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	2,046,729	2,300,674	1,217,165	642,896	1,398,2191	379,641
Operating margin	584,898	741,776	46,785	(269,175)	124,170	90,686
Operating income	355,136	497,472	(147,529)	(427,625)	(142,153)	29,134
Non-operating income and expenses	24,484	(34,990)	(6,968)	(36,597)	84,443	(14,711)
Profit before tax	379,620	462,482	(154,497)	(464,222)	(57,710)	14,423
Net income of continuing business units	308,181	364,046	(108,638)	(371,570)	(79,481)	9,526
Loss of suspended business unit	0	0	0	0	0	0
Net income (loss)	308,181	364,046	(108,638)	(371,570)	(79,481)	9,526
Other comprehensive income, net of tax	(421)	(24,170)	(24,223)	(16,087)	49,614	(5,769)
Total comprehensive income	307,760	339,876	(132,861)	(387,657)	(29,867)	3,757
Net income attributable to stockholders of the parent	308,181	364,046	(108,638)	(371,570)	(79,481)	9,547
Net income attributable to non-controlling interests	0	0	0	0	0	(21)
Total comprehensive income attributable to stockholders of the parent	307,760	339,876	(132,861)	(387,657)	(29,867)	3,757
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	2.07	2.11	(0.63)	(2.15)	(0.46)	0.06

Note 1: financial statements of 2018 -2022 have adopted IFRS, financial information was audited by KPMG.

Note 2: first quarter of year 2023 has adopted IFRS, financial information was audited by accountants Chang, Tzu-Hsin and Wu, Chun-Yuan. Only consolidated statement was reviewed in first quarter, consolidate statement was not reviewed.

(2) Names and audit opinions of CPAs in the most recent five fiscal **years**

Year (Note)	Name of Accounting Firm	Names of CPAs	Audit Opinion
2018	KPMG	Accountants Kuo, Shih-Hua, Chen, Cheng-Hsueh	Unqualified opinion
2019	KPMG	Accountants Chang, Tzu-Hsin and Wu, Chun-Yuan	Unqualified opinion
2020	KPMG	Accountants Chang, Tzu-Hsin and Wu, Chun-Yuan	Unqualified opinion
2021	KPMG	Accountants Chang, Tzu-Hsin and Wu, Chun-Yuan	Unqualified opinion
2022	KPMG	Accountants Chang, Tzu-Hsin and Wu, Chun-Yuan	Unqualified opinion

2. Finance analysis of the most recent five fiscal years

(1) Finance analysis - IFRS

A. Finance analysis - Consolidated

Year (Note 1) / Analysis Item (Note 3)			2018	2019	2020	2021	2022	As of March 31, 2023, financial information (Note 2)
			Finance analysis of the most recent five fiscal years					
Financial structure (%)	Debt to asset ratio		37.46	33.74	37.22	45.03	45.02	43.89
	Long term capital to property, plant and equipment ratio		138.79	150.39	153.72	143.09	135.00	117.28
Solvency %	Current ratio		264.61	280.70	265.53	192.63	125.22	147.09
	Quick ratio		201.01	225.30	228.26	147.13	89.90	110.72
	Interest coverage ratio		20.94	24.83	-7.93	-22.17	-1.06	-7.84
Operating capacity	Receivables turnover (times)		6.97	7.59	4.88	4.36	6.99	1.55
	Average cash recovery day		52.36	48.08	74.79	83.71	52.21	235.48
	Inventory turnover (times)		4.45	5.05	4.95	3.76	4.55	1.26
	Payable turnover rate(times)		20.17	26.79	31.72	42.28	39.46	10.5
	Days sales outstanding		82.02	72.27	73.73	97.07	80.21	289.68
	Property, plant and equipment turnover rate (times)		0.68	0.75	0.41	0.22	0.47	0.08
	Total asset turnover rate (times)		0.44	0.47	0.24	0.13	0.28	0.05
Profitability	Return on assets (%)		6.89	7.68	-1.93	-7.17	-0.83	0.31
	Return on equity (%)		10.58	11.44	-3.37	-12.72	-2.93	0.35
	Accounted for paid-in capital ratio(%)	Operating income	23.90	30.49	-9.09	-25.25	-9.18	1.69
		Pre-tax net profit	25.55	28.71	-8.95	-26.88	-3.34	0.84
	Net profit ratio (%)		15.06	15.82	-8.93	-57.8	5.68	3.94
	Earnings per share (NT$)		2.07	2.26	-0.63	-2.15	0.46	0.06
Cash flow	Cash flow ratio (%)		124.56	150.78	66.95	-22.30	12.54	None
	Cash flow adequacy ratio (%)		115.00	118.89	118.58	89.69	95.98	None
	Cash reinvestment ratio (%)		10.30	10.95	4.06	-2.25	1.56	None
Leverage	Operating leverage		2.09	1.87	-1.59	0.13	-0.86	None
	Financial leverage		1.06	1.04	0.90	0.96	0.85	None

Please explain changes of all financial ratios over the past 2 fiscal years. (If increase and decrease change did not reach 20%, analysis cannot be made.)
1. Gross profit margin: 2022 Sales income increased, and some expenses increased slightly.
2. Receivables turnover (times) (%):The increase in sales revenue increases the average receivable turnover rate
3. Inventory turnover (times) (%):The increase in sales will increase the cost of goods sold proportionally, and the small increase in inventory will increase the turnover times.

Note 1: financial statements of 2018 -2022 have adopted IFRS, financial information was audited by KPMG.
Note 2: first quarter of year 2023 has adopted IFRS, financial information was audited by accountants Chang, Tzu-Hsin and Wu, Chun-Yuan.
Note 3: In the end of the annual report, calculation formula shall be stated as below:

1. Financial structure
(1) Debt to asset ratio ＝ Total liabilities／Total assets.
(2) Long term capital to property, plant and equipment ratio＝（Total equity＋Non-current liabilities）／ net property, plant and equipment.
2. Solvency
(1) Current ratio＝Current assets／Current liabilities.
(2) Quick ratio＝（Current assets－Inventories－Prepaid expenses）／Current liabilities.
(3) Interest coverage ratio＝Net profit before income tax and interest expense／Interest expense.
3. Operating capacity
(1) Receivables (including trade receivables and notes receivable generated by operation) turnover＝ Net sales／Average receivables of each period (including trade receivables and notes receivable generated by operation) balance.
(2) Average cash recovery day＝365／Receivable turnover rate.
(3) Inventory turnover rate＝Cost of sales／Average inventories.
(4) Receivables (including trade receivables and notes receivable generated by operation) turnover＝ Cost of sales／Average receivables of each period (including trade receivables and notes receivable generated by operation) balance.
(5) Days sales outstanding＝365／Inventory turnover rate.
(6) Property, plant and equipment turnover rate＝Net sales／Average net property, plant and equipment.
(7) Total asset turnover＝Net sales／Average total assets.
4. Profitability
(1) Return on assets＝〔Profit or loss after tax＋Interest expense ×（１－ Tax rates）〕／ Average total assets.
(2) Return on equity＝Profit or loss after tax／Average total assets.
(3) Net profit ratio＝Profit or loss after tax／Net sales.
(4) Earnings per share＝（Profit or loss attributable to parent company owner－Preferred stock dividend）／ Weighted average number of shares（Note 4）
5. Cash flow
(1) Cash flow ratio＝Net cash flow from operating activities／Current liabilities.
(2) Net cash flow adequacy ratio＝Net cash flow from operating activities of the most recent five fiscal years 最／(Capital expenditure＋Inventory increase＋
Cash dividend) of the most recent five fiscal years.
(3) Cash reinvestment ratio＝(Net cash flow from operating activities－Cash dividend)／(Gross property, plant and equipment＋Long-term investment＋Other current assets＋Working capital). (Note 5)
6. Leverage:
(1) Operating leverage＝(Net operating revenue－Variable operating costs and expenses) ／ Operating income (Note 6).
(2) Financial leverage＝Operating income ／ (Operating income－Interest expense).

Note 4: the preceding calculation formula of earnings per share, when measuring, matters below shall be specially notice:
1. Using weighted average number of ordinary shares as standard, not using issued share number in the end of fiscal year as basic.
2. When any person makes transaction with capital increase or treasury stocks, weighted average number of shares in circulation period shall be considered to calculate.
3. Upon capitalization of retained earnings or capitalization of capital reserves, when calculating earnings per share of the past years and half a year, retrospective adjustment shall be made in accordance with capital increase ratio, do not need to consider issue period of capital increase.
4. If preferred shares are inconvertible accumulated preferred shares, dividend of the current year (whether issuing or not) shall be deducted from net profit after tax, or added loss after tax. If preferred shares are non-cumulative, when there’s net profit after tax, preferred shares shall be deducted from net profit after tax; if it’s loss, adjustment does not need to make.

Note 5: when measuring, cash flow analysis shall specially notice matters below:
1. Net cash flow from operating activities means net cash inflow number in the cash flow statement.
2. Capital expenditure means cash outflow number of capital investment each year.
3. Inventory increase number is only counted when ending balance is more than beginning balance, if inventory in the end of year decreases, shall be calculated with zero.
4. Cash dividend includes cash dividend of common shares and preferred shares.
5. Gross property, plant and equipment means total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: Issuer shall divide operating costs and operating expenses into fixed and variable in accordance with type, if involving in estimating or subjective judgment, rationality shall be noticed and shall sustain consistence.

Note 7: the preceding accounted for paid-in capital ratio of a foreign company shall change into accounted for net worth ratio for calculation.

(2) Financial Analysis - Individual

Year (Note 1) / Analysis Items (Note 3)			2018	2019	2020	2021	2022	Financial information of the current year, as of March 31, 2023 (Note2)
			Financial analysis of the most recent five fiscal years					
Financial structure (%)	Debt to asset ratio		37.45	33.74	37.22	45.03	45.01	43.89
	Long term capital to property, plant and equipment ratio		138.82	154.66	163.68	158.51	159.43	117.28
Solvency %	Current ratio		238.90	292.66	295.08	197.44	154.45	147.09
	Quick ratio		175.22	237.24	258.03	151.93	119.24	110.72
	Interest coverage ratio		20.94	24.83	-7.93	-22.17	-1.06	-7.84
Operating capacity	Receivables turnover (times)		6.96	7.58	4.87	4.35	6.99	1.55
	Average cash recovery day		52.44	48.15	74.94	83.90	52.21	235.48
	Inventory turnover (times)		4.45	5.05	4.95	3.76	4.55	1.26
	Payable turnover rate(times)		20.27	26.99	31.81	42.28	39.46	10.5
	Days sales outstanding		82.02	72.27	73.73	97.07	80.21	289.68
	Property, plant and equipment turnover rate (times)		0.68	0.77	0.43	0.24	0.53	0.08
	Total asset turnover rate (times)		0.44	0.47	0.24	0.13	0.28	0.05
Profitability	Return on assets (%)		6.89	7.68	-1.93	-7.17	-0.83	0.31
	Return on equity (%)		10.58	11.44	-3.37	-12.72	-2.93	0.35
	Accounted for paid-in capital ratio(%)	Operating income	23.90	30.88	-4.02	-24.76	-8.23	1.69
		Pre-tax net profit	25.55	28.71	-4.14	-26.88	-3.34	0.84
	Net profit ratio (%)		15.06	15.82	-8.93	-57.8	-5.68	3.94
	Earnings per share (NT$)		2.07	2.26	-0.63	-2.15	-0.46	0.06
Cash flow	Cash flow ratio (%)		120.88	130.43	54.87	-16.72	2.7	None
	Cash flow adequacy ratio (%)		114.21	117.82	119.56	99.67	115.67	None
	Cash reinvestment ratio (%)		9.59	9.06	3.05	-1.55	0.30	None
Leverage	Operating leverage		2.09	1.85	-2.64	0.13	-1.04	None
	Financial leverage		1.06	1.04	0.90	0.96	0.84	None

Please explain changes of all financial ratios over the past 2 fiscal years. (If increase and decrease change did not reach 20%, analysis cannot be made.)
1. Gross profit margin: 2022 Sales income increased, and some expenses increased slightly.
2. Receivables turnover (times) (%):The increase in sales revenue increases the average receivable turnover rate
3. Inventory turnover (times) (%):The increase in sales will increase the cost of goods sold proportionally, and the small increase in inventory will increase the turnover times.

Note 1: financial statements of 2018 -2022 have adopted IFRS, financial information was audited by KPMG.
Note 2: first quarter of year 2023 has adopted IFRS, financial information was audited by accountants Chang, Tzu-Hsin and Wu, Chun-Yuan.
Note 3: Calculation formula is stated as below:
1. Financial structure

(1) Debt to asset ratio ＝ Total liabilities／Total assets.
(2) Long term capital to fixed assets ratio＝（Net shareholder's equity＋Long-term liabilities）／ net fixed assets.

2. Solvency
(1) Current ratio＝Current assets／Current liabilities.
(2) Quick ratio＝（Current assets－Inventories－Prepaid expenses）／Current liabilities.
(3) Interest coverage ratio＝Net profit before income tax and interest expense／Interest expense.

3. Operating capacity
(1) Receivables (including trade receivables and notes receivable generated by operation) turnover＝ Net sales／Average receivables of each period (including trade receivables and notes receivable generated by operation) balance.
(2) Average cash recovery day＝365／Receivable turnover rate.
(3) Inventory turnover rate＝Cost of sales／Average inventories.
(4) Receivables (including trade receivables and notes receivable generated by operation) turnover＝ Cost of sales／Average receivables of each period (including trade receivables and notes receivable generated by operation) balance.
(5) Days sales outstanding＝365／Inventory turnover rate.
(6) Fixed assets turnover rate＝Net sales／Net fixed assets.
(7) Total asset turnover＝Net sales／Total assets.

4. Profitability
(1) Return on assets＝〔Profit or loss after tax＋Interest expense ×（1 － Tax rates）〕／ Average total assets.
(2) Return on equity＝Profit or loss after tax／Average net equity.
(3) Net profit ratio＝Profit or loss after tax／Net sales.
(4) Earnings per share＝（Profit after tax－Preferred stock dividend）／Weighted average number of shares

5. Cash flow
(1) Cash flow ratio＝Net cash flow from operating activities／Current liabilities.
(2) Net cash flow adequacy ratio＝Net cash flow from operating activities of the most recent five fiscal years／(Capital expenditure＋Inventory increase＋Cash dividend) of the most recent five fiscal years.
(3) Cash reinvestment ratio＝(Net cash flow from operating activities－Cash dividend)／(Gross property, plant and equipment＋Long-term investment＋Other current assets＋Working capital).

6. Leverage:
(1) Operating leverage＝(Net operating revenue－Variable operating costs and expenses) ／ Operating income (Note 6).
(2) Financial leverage＝Operating income ／ (Operating income－Interest expense).

(2) Key Performance Indicators of the Company

1. Financial indicators

Meaning: optimization of enterprise financial structure and solvency and control and management of bank financing contract restriction.

Ratio	Formula	Target KPI	2021	2022
(1) Debt ratio	Debit ／Total assets (%)	≤35%	45.03	45.0
(2) Current ratio	Current assets／Current liabilities (%)	>200%	193.94	125.2
(3) Interest coverage ratio	net profit before income tax and interest expense／Interest expense (time)	≥20	-22.17	-1.0

2. Performance indicators

Meaning: control benefits of personnel and expenses and creation of profits.

Ratio	Formula	Target KPI	2021	2022
(1) Productivity benefits indicators	Revenue／Actual employee number in the end of fiscal year (NT$ 10 thousand)	>180	100	20
(2) R&D benefits indicators	Revenue／R&D expenses (time)	>20	41.02	84.3

3. Audit committee's audit report of financial statements of the most recent year:

Li-Cheng Enterprise Co., Ltd
Audit Committee's Review Report

The board of directors prepared 2022 business report, financial statements and loss recovery proposal of the Company, financial statements were audited by KPMG, and a report has been issued. The preceding business report, financial statements and loss recovery proposal were audited by the audit committee, and determined to be correct and accurate, and the report was made in accordance with Securities and Exchange Act and the Company Act.

For your examination

Faithfully
2023 Annual Shareholders' Meeting of Li-Cheng Enterprise Co., Ltd

Convener of Audit Committee: Chen, Jung-Erh

March 28, 2023

4. Consolidated financial statements audited by accountants of the most recent fiscal year and note: Appendix I
5. Individual financial statements audited by accountants of the most recent fiscal year and note: Appendix II
6. In the most recent fiscal year or up to the date of publication of the annual report for that year, if the Company or affiliates has circumstances of financial turnover difficulty, influence of the Company's financial status: there' s not this circumstance.
7. Other financial supplementary information:
Evaluation subjects recognition policy of the Company's balance sheet:

Item order	Evaluation subjects of balance sheet	Evaluation basic	Evaluation base
1	Allowance for doubtful accounts	Aging analysis method	A. Outstanding amount, recognition rate 0%
			B. Outstanding account expired 30-90 days, recognition rate 0%
			C. Outstanding account expired 90 days or more, recognition rate 100%
			D. Determined to be irretrievable, recognition rate 100%
2	Depreciati on	Straight-line method	A. House and building: 3~50 years
			B. Mechanical equipment: 5~10 years
			C. Transportation equipment: 2~5 years
			D. Other equipment: 2~10 years
3	Price decline loss of allowance inventory	Lower of cost and net realizable value method	A. Adopt item by item comparison method
			B. Cost is calculated with weighted average method.
			C. Net realizable value uses estimated price of normal operation on the date of balance sheet minus to invested costs and sales expenses needed for completion as calculation base.
			D. Difference of costs and net realizable value is recognized as price decline loss.

VII. Financial Status and Discussion Analysis of Financial Performance and Risk Matters

1. Financial status

Unit: NT$ thousand

Item / Year	2022 (Actual)	2021 (Actual)	Growth rate	
			Amount	Percentage
Current assets	1,040,385	1,332,736	(292,351)	-21.94%
Long-term investment	20,477	1,095	19,382	1770.05%
Fixed assets	3,018,778	2,987,244	31,534	1.06%
Intangible assets	1,329	2,054	(725)	-35.30%
Other assets	825,345	647,646	177,699	27.44%
Total assets	4,906,314	4,961,765	(55,451)	-1.12%
Current liabilities	830,821	687,187	143,634	20.90%
Long-term liabilities	1,349,511	1,517,369	(167,858)	-11.06%
Other liabilities	28,527	29,887	(1,360)	-4.55%
Total liabilities	2,208,859	2,234,443	(25,584)	-1.14%
Capital	1,726,773	1,726,773	0	0.00%
Capital reserve	42,859	42,859	0	0.00%
Retained earnings	908,736	1,025,157	(116,421)	-11.36%
Total equity	2,697,455	2,727,322	(29,867)	-1.10%

Change explanation of major subjects:

1. Long-term investment increased, Due to newly added investment business.
2. Current liabilities increased, Due to the increase in short-term borrowings with the same period of last year.

2. Financial performance

Comparison Analysis Statement of Operating Results

Unit: NT$ thousand

Item \ Year	2022 (Actual)	2021 (Actual)	Growth rate	
			Amount	Percentage
Total operating revenue	1,466,835	675,254	791,581	117.23%
Deduct: ：sales returns and allowances	68,616	32,358	36,258	112.05%
Net operating revenue	1,398,219	642,896	755,323	117.49%
Operating costs	1,274,049	912,071	361,978	39.69%
Operating margin	124,170	(269,175)	393,345	-146.13%
Realized operating margin	124,170	(269,175)	393,345	-146.13%
Operating expenses	282,761	166,850	115,911	69.47%
Operating income	(158,591)	(436,025)	277,434	-63.63%
Non-operating income and benefits	102,777	23,537	79,240	336.66%
Non-operating expenses and loss	(1,896)	(51,734)	49,838	-96.34%
Income from continuing operations before income tax	(57,710)	(464,222)	406,512	-87.57%
Income tax	21,771	(92,652)	114,423	-123.50%
Income from continuing operations after income tax	(79,481)	(371,570)	292,089	-78.61%

1. The increase in operating gross profit is due to the increase in sales, and the increase in some expenses is small..
2. The increase in non-operating income and interests in the current period is due to exchange benefits arising from exchange rate fluctuations.

3. Cash flow

Unit: NT$ thousand

Beginning cash balance	Net cash flow from operating activities all year	Cash outflow all year	Cash surplus (Deficit)	Leverage of cash deficit	
				Investment plan	Financial plan
879,764	104,149	-15,057	402,732	None	None

1. Cash flow change status analysis:
   (1) Operating activities: net cash provided by operating activities was NT$ 104,149 thousand, it was mainly caused by operating interests
   (2) Investment activities: net cash outflow of investment activities was NT$ 470,983 thousand, it was mainly caused by cash outflow of purchasing mechanical equipment and new plants.
   (3) Financing activities: net cash outflow of financing activities was NT$ 104,995 thousand, it was mainly caused by the increase in the repayment of short-term loans
2. Leverage of cash deficit and liquidity analysis: not applicable
3. Cash liquidity analysis for the coming year:

Unit: NT$ thousand

Beginning cash balance	Net cash flow from operating activities all year	Estimated cash outflow all year	Estimated Cash surplus (Deficit)	Estimated leverage of cash deficit	
				Investment plan	Financial plan
402,732	145,419	-171,075	377,076	無	無

(1) 2022 cash flow change status analysis:
Analysis explanation is stated as below:
A. Operating activities: estimated cash outflow generated by operating loss and depreciation expenses was NT$ 145,419thousand.
B. Investment activities: As continuing to expand production lines, new plan construction has continued to extend and purchase mechanical equipment, estimated net cash outflow was NT$ 125,446 thousand.
C. Financing activities: estimated net cash outflow of financing activities was NT$ 45,629 thousand, it was mainly caused by borrowing and paying debt.
(2) Leverage of cash deficit and liquidity analysis: not applicable.

4. The effect upon financial operations of any major capital expenditures during the most recent fiscal year.

Capital Expenditures Use Status and Capital Sources

Unit: NT$ thousand

Plan Item	Actual or estimated capital resources	Completion date	Total amount of needed funds	Actual or estimated capital use status	
				2022	2023
Plant	Operating profit and financing	December 31, 2023	379,561	260,378	119,183
Mechanical equipment	Operating profit and financing	December 31, 2023	156,082	2,698	153,384

5. Reinvestment policy of the most recent fiscal year, main reasons of profit or loss, improvement plan and investment plan for the coming year

(1) Reinvestment policy of the most recent fiscal year, and main reasons of profit or loss

Based on laws and regulation and consideration of operation level, to provide services nearby for customers and investigation of market conditions for obtaining competitive advantages of future business and conducing to evaluate necessity of establishing reinvestment business in China, we invested to establish Time Leader Investments Ltd. in Samoa with NT$ 2,080 thousand in November, 2003, and the shareholding rate is 100%. The company established name as office of Samoa Li-Cheng Enterprise Co., Ltd. through indirectly going to China to invest on February 18, 2004. The establishment purpose of the office is providing services nearby for customer and engaging in condition investigation, and as of December 31, 2022, accumulatively remitting US$ 1,199,700.

The Company indirectly established office in Vietnam for engaging in nearby providing services for customers through 100% shareholding of Occupation North Trading Co., Ltd. for operating needs in May, 2009. As of December 31, 2022, accumulatively remitting US$ 250,000.

The Company directly invested to establish Li Cheng Enterprise Vietnam Co., Ltd. for nearby providing services for customers, and engaging in production for operating needs in October, 2020. As of December 31, 2022, accumulatively remitting US$ 17,390,000.

Operation status of reinvestment business of the most recent fiscal year is stated as below:

Unit: NT$ thousand

Name of reinvestment business	Year	Operating status			CPAs	Audit opinion
		Operating revenue	Net loss before tax	Net worth of shareholding		
Time Leader Investments Ltd.	2022	0	(4,032)	2,557	Not applicable	Not applicable
Occupation North Trading Co., Ltd.	2022	0	0	1,976	Not applicable	Not applicable
Li Cheng Enterprise Vietnam Co., Ltd.	2022	0	(10,494)	455,218	Not applicable	Not applicable

Management decision of reinvestment business of the Company is stated as below:

(1) Investment decision of reinvestment business shall be conducted in accordance with layers of control of internal audit approval authority, and pursuit “Procedures for Acquiring or Disposing of Assets” formulated after issuing in public, and investment cycle of internal control system, etc. Based on business needs or overall operational needs, manager of finance department reinvested, after preparing investment evaluation report, and the report shall be submitted to general manager for approval, and exercised after approved by the meeting of board of directors. Overseas reinvestment project was approved by Investment Commission, Ministry of Economic Affairs.

(2) For affiliates and specific company, we formulated “Measures of Trading Management of Group Company, Specific Company and Related Party”, trading, management and transaction between the company and group company shall be conducted in accordance with the Measures. When a company uses equity method for the company, we formulated “Measures of Long-term Investment Management” and “Measures of Monitoring subsidiaries” to strengthen management of evaluating a company with equity method.

(3) The Company will irregularly have talks with major senior executives of reinvestment business.
(2) Investment for the coming year: none.

6. Risk matters shall analyze and evaluate matters below of the most recent fiscal year and up to the date of publication of the annual report:
(1) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future
1. The effect upon the company's profits (losses) of interest rate fluctuations and changes, and response measures to be taken in the future

Ratio of interest expenditure accounted for operating revenue and operating income of the Company of the most recent fiscal year is stated as below:

Unit: NT$ thousand

Item	2022
Operating revenues	1,398,219
Operating income	(158,591)
Interest expenditure	27,967
Net ratio accounted for operating revenue	2.00%
Ration accounted for operating income	-17.63%

We can see from the above table, the Company’s interest expenditure was NT$ 27,967 thousand in 2022, and net ratio accounted for operating revenue was 2.00%, interest expenditure slightly affected corporate operation. The Company is currently in operation expansion period, expects capital expenditure will increase, under constant growth of operation scale in the future, the Company notices market rate change status at any time, and keeps good relationship with many financial institutions, corresponds to mid-term and long-term financing needs for timely striving for lower rate, maintains lower capital cost, and responds to market rate change status for adjusting capital use status at any time, reduces influence of the Company’s operation caused by rate changes.

2. The effect upon the company's profits (losses) of exchange rate fluctuations and changes, and response measures to be taken in the future

Unit: NT$ thousand

Item / Year	2022	
	Amount	Proportion (%)
Domestic sales	448,769	32.10
Export sales	949,450	67.90
Sum	1,398,219	100

2022 relative weight of export sales of the Company was 67.90%, net exchange loss was NT$ 29,475 thousand, it was mainly affected by appreciation of New Taiwan Dollar, export sales used US dollar to valuate, and most of raw material purchase was domestic purchase, only a part of products was imported from foreign countries, and the transaction method used US dollar to denominate, overall export sales amount was higher than outsourcing amount. 2022 appreciation of exchanging US dollar for New Taiwan Dollar, exchange rate existed certain risk, but sales and purchase of denominating with US dollar may have financial risk caused by exchange rate change in the offsetting part.

Unit: NT$ thousand

Item	2021	2022
Net exchange profit (loss)	(29,475)	118,275
Operating revenues	642,896	1,398,219
Operating income	(436,025)	(158,591)
Net exchange profit (loss)／Operating revenues (%)	-4.58%	8.46%
Net exchange profit (loss)／Operating income (%)	6.76%	-74.58%

To effectively respond to exchange rate fluctuation, except actively collecting exchange rate change information for controlling exchange rate, the Company adopts concrete measures below to decrease affect of the Company caused by exchange rate change:

(1) Keep in close contact with foreign exchange department of transacting financial institutions for obtaining professional judgement of exchange rate trend.

(2) Open an account of foreign currency deposit, save foreign currency payment received by export sales in foreign currency account to pay payment of foreign raw material purchase, decrease risk of exchange rate change through offsetting foreign currency debts, and immediately adjust foreign currency asset position depending on foreign exchange change status.

(3) According to “Procedures for Acquiring or Disposing of Assets” formulated by the Company, we adopted pre-order or pre-sale forward foreign exchange contract depending on market conditions, and flexibly adjust hedge ratio to strive for controlling exchange rate risk within a certain scope for decreasing exchange rate change risk.

3. The effect upon the company's profits (losses) of inflation, and response measures to be taken in the future

2022 inflation rate was 2.95 % in Taiwan, there was no significant influence for the Company’s operation. Inflation rate produced large fluctuations, otherwise it won’t cause influence for the Company. In addition, the Company decreased costs through increase productivity method to responds to possible dramatic fluctuations of inflation rate.

4. Risk Management Organization Statement

Important risk evaluation matter	Direct unit of risk control (First mechanism)	The Board of Directors and Management and Audit Room (Second mechanism)
1. Rate, exchange rate and financial risks 2. High risk, high leverage investment, making loans for other, derivatives transaction, financial management investment	Finance Department Finance Department	The board of directors (decision and final control of risk evaluation control and management
3. R&D plan 4. Policy and law changes 5. Technology and industry changes 6. Corporate image change 7. Investment, reinvestment and merger benefits	Basic Development Department Chairman Room Chairman Room Chairman Room	Management and audit room (check, evaluation, supervision, improving follow-up, report)
8. Expand plant or production 9. Centralized purchase or sales	Production Department Sales Department, Management Department	
10. Equity move of directors, supervisors and major shareholders 11. Management right change	stock affairs, the Board of Directors stock affairs, the Board of Directors	
12. Litigation and non-litigation matters 13. Other operation matters	Chairman Room	

(2) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. High risk or high leverage investment: there was not this circumstance.
2. Loans to other parties: loaning to subsidiary Li Cheng Enterprise Vietnam Co., Ltd.
3. Endorsements, guarantees: there was no circumstance of endorsements/guarantees.
4. Derivatives and its operational profit or loss: there was not this circumstance.

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

1. The Company is manufacturer of professional three-dimensional fabric (SPACER FABRICS), relevant R&D works meet customers' needs, control of latest development trend of industry and key technologies, and relevant explanation, please refer to P.48-49 of the annual report, explanation of "V. Operation Overview (3) Technology and R&D Overview".
2. Looking into the future, the Company will actively expand line-up of R&D department, and fully use current production technologies and customer's advantages, research and develop products with high added value and meeting consumer trend to raise the Company's competitiveness and maintain the position of leading manufacturer.

(4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

1. The Company's management team closely notices any policy and law causing significant affect for financial business of the Company, and timely provides measures to be taken in response.
2. There was not any policy and law causing significant unfavorable affect for the Company's financial business in 2022.

(5) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

Information security funds of the Company is accounted for 61% of total expenditure in budget of the coming year for avoiding cyber security risks, information security funds meet initial business needs, and it will be raised in the future to create organization safety environment; the Company currently proceeds promotion, education and training in user site for Spoofing and Phishing, and raises network security consciousness of the Company's colleagues; colleagues of information department arranged personnel to attend professional training courses, it is estimated to exercise in third quarter and fourth quarter, personnel of hardware team will take turns to participate in primary and middle level training courses, personnel training content will preliminarily give feedback to all information personnel with internal message method, and it will be listed in plan implementation each year; finally, in the aspect of system, we will start to proceed inspection of security weakness next year, and hope to decrease cyber security risks to minimum.

(6) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company strives to maintain cooperate image, up to now, we can foresee the future, and there is not circumstance of cooperate image change, and cooperate has risks.

(7) Expected benefits and possible risks associated with any merger and acquisitions: there was not this circumstance.

(8) Expected benefits and possible risks associated with any plant expansion:

Estimated market of the Company's main products appears growth trend, we purchased lands to expand plants for expanding industrial area in Douliu, and estimated annual output value was NT$ 0.1 billion. The fund source is using a physical object to make secured financing to the bank for avoiding risk increase of cooperate operation caused by expanding credit and massively using leverage.

(9) Risks associated with any consolidation of sales or purchasing operations:

1. Purchasing

Risks confronted by the consolidation of purchasing is bad raw material quality franchised by suppliers or insufficiently supply in time, it affects cooperate production; the franchisee no longer franchises raw materials, and it caused shortage of supply; and raw material price rose, production cost raised, and they affected profits.

Protofilament is key raw material of knitted mesh, protofilament quality will affect whether finished products after warp knitting, dyeing and finishing reach customers' requirements or not, so protofilament quality, steady supply and protofilament price directly affect profits of united mesh manufacturers. However, domestic companies only have manufacturers with ability to provide high quality protofilament in South Asia, and protofilament quality of stability is insufficient; Japanese and Korean companies also have this special protofilament, but domestic purchase cost increased a lot. Considering the risk, to decrease purchase costs and obtain steady, high quality raw materials, the Company has adopted strategic alliance method with South Asia, made raw material risks decrease to minimum. However, to spread supply risks, many distribution agents on raw material market supply.

2. Sales

Potential risks confronted by consolidation of sales is bad debts caused by sales, the sum proportion of sales revenue of the Company's top two customers did not reach 50% in 2021 and 2022 as two major downstream customers are excellent performance listed companies with high market share in domestic shoe industry, their credit records were good, so the potential risks was very low. However, to decrease potential risks of consolidation of sales, the Company will continue to expand product lines and customer group for reducing customer concentration status.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands:

Directors and shareholders did not have circumstances of transferring massive equity to others.

(11) Effect upon and risk to company associated with any change in governance personnel or top management:

There was no circumstance of the Company having influence and risk caused by change in top management.

(12) Major litigious, non-litigious or administrative disputes that: involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. In the most recent 2 fiscal years or up to the date of publication of the annual report, the verdict is confirmed or litigation, non-litigation or Administrative proceeding event are still in process, and the results can have significant affect for shareholder's equity or securities price: there was not this

circumstance.

2. Any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company, in the most recent 2 fiscal years or up to the date of publication of the annual report, he verdict is confirmed or litigation, non-litigation or Administrative proceeding event are still in process, and the results can have significant affect for shareholder's equity or securities price: there was not this circumstance.

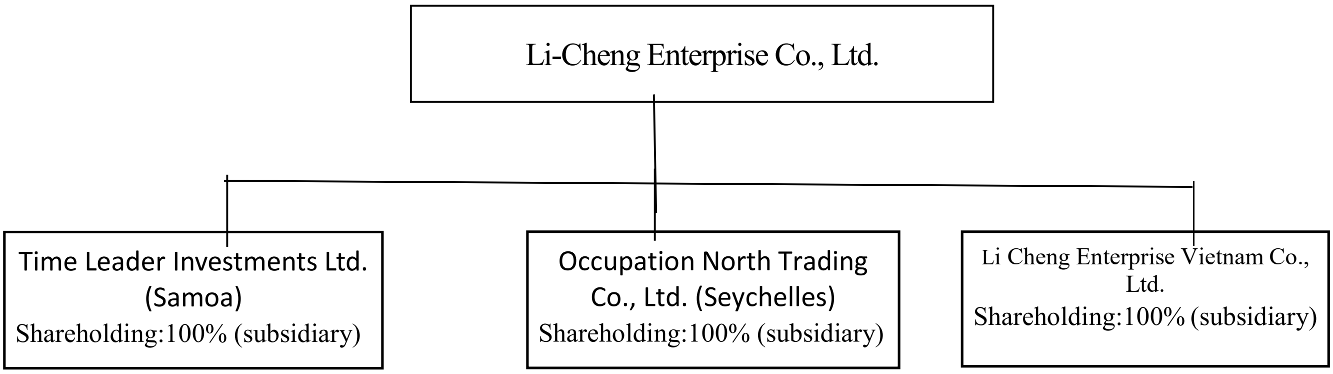
(13**)** Other important risks, and mitigation measures being or to be taken: none.

7. Other important matters: none.

VIII. Special Recorded Matters

1. Affiliates information:

(1) Affiliates organization chart



(2) Basic information of affiliates

Name of cooperate	Establishment date	Address	Paid-in Capital	Major operation or production items
Time Leader Investments Ltd.	October 11, 2002	P.O.Box 217,Apia,Samoa	USD 1,199,700	Engage in business survey
Occupation North Trading Co., Ltd.	May, 29, 2008	No. 24, Lesperance, Providence Industrial Estate, Mahe, Seychelles	USD 250,000	Engage in business survey
Li Cheng Enterprise Vietnam Co., Ltd.	October 12, 2018	Nhon Trach 6 IP, Long Tho commune, Nhon Trach Country, Dong Nai province.	USD17,3990,000	Engage in production

(3) Presume same shareholder information having control and subordinated relationship: there was no this circumstance.

(4) Directors and general manager information of all affiliates:

Unit: share:

Name of cooperate	Title	Name or representative	Shareholding	
			Share number	Shareholding ratio
Time Leader Investments Limited	Chairman	Representative of Li-Cheng Enterprise Co., Ltd.: Hung, Wen-Yao	1,199,700	100%
Occupation North Trading Co., Ltd.	Chairman	Representative of Li-Cheng Enterprise Co., Ltd.: Hung, Wen-Yao	250,000	100%
Li Cheng Enterprise Vietnam Co., Ltd.	Chairman	Representative of Li-Cheng Enterprise Co., Ltd.: Hung, Wen-Yao	Limited responsibility	100%

(5) Overview of the affiliates

Unit: except notes and earnings per share (loss), the rest is US dollar

Name of cooperate	Capital amount	Total assets	Total liabilities	Net worth	Operating revenues	Operating revenue (loss)	Profit (loss) (after tax)	Earnings per share (loss) NT$ (after tax)
Time Leader Investments Limited	USD 1,199,700	USD 236,440.59	USD 35.99	USD 92,406.16	USD -	USD (143,998.44)	USD (143,998.44)	USD 1,199,700
Occupation North Trading Co., Ltd.	USD 250,000	USD 85,394.08	USD 14,014.88	USD 71,379.2	USD -	USD -	USD -	USD 250,000
Li Cheng Enterprise Vietnam Co., Ltd.	USD 17,390,000	USD 22,452,473.07	USD 6,006,734.42	USD 16,445,738.65	USD -	USD (374,795.14)	USD (374,795.14)	USD 17,390,000

(6) Consolidated financial statement of affiliates:

The Company prepared consolidate financial statements of parent company and subsidiary.

(7) Affiliates report:

The Company prepared consolidate financial statements of parent company and subsidiary, so we do not need to make affiliates report.

2. In the most recent fiscal year or up to the date of publication of the annual report, private placement of securities: there was not this circumstance.

3. In the most recent fiscal year or up to the date of publication of the annual report, subsidiary held or disposed the Company's shares: there was not this circumstance.

4. Other necessary supplementary specification: none.

5. In the most recent fiscal year or up to the date of publication of the annual report, significant affect matters for shareholder's equity or securities price specified in Article 36, paragraph 2, subparagraph 2 of Securities Exchange Act: there was not this circumstance.

Appendix 1

LI CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: No. 5, Dougong 12th Rd., Douliu City, Yunlin County 640153 , Taiwan (R.O.C.)
Telephone: (05)557-1010

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Representation Letter

The entities that are required to be included in the combined financial statements of LI CHENG ENTERPRISE CO.,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 International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LI CHENG ENTERPRISE CO.,LTD and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: LI CHENG ENTERPRISE CO.,LTD
Chairman: Hung Wen-Yau
Date: March 28, 2023

Independent Auditors' Report

To the Board of Directors of LI CHENG ENTERPRISE CO.,LTD:

Opinion

We have audited the consolidated financial statements of LI CHENG ENTERPRISE CO.,LTD and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 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 Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(14) "Revenue" and Note 6(19) of the consolidated financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

Description of key audit matter:

Some of the sales of the Group need to provide discounts to customers based on the agreement of the contract.The company has the estimation series of the management authority of the limited company for the above matters is a deduction of revenue. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Group.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principle audit procedures included testing the internal control system for revenue recognition of the financial statements, analyzing there is any major abnormality in a change in customers between the current year and the prior year, and checking relevant customer sales and contract terms and testing profit. The consistency of accounting treatment related to the sales terms of the business of the Group.

2. Inventory valuation

Please refer to Note 4(8) "Accounting policies", Note 5 "Uncertainty of accounting estimates and assumptions", and Note 6(5) "Related disclosures for inventory valuation".

Description of key audit matter:

The Group' s inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement in technology. Therefore, the valuation of inventories has been identifited as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include assessing the Group' s allowance on inventory according to its characteristics, including conducting sampling test to examine accuracy of inventory aging; assessing the Group's inventory decline or rationality of debt ratio; examining accuracy of allowance on inventory for past years, and comparing with this period, in order to assess whether estimation method for this period is presented fairly.

3. Impairment of long-term non-financial assets (excluding goodwill)

Refer to Note 4(13) "Impairment of nonfinancial assets", Note 5 "Critical accounting judgments and key sources of estimation and assumption uncertainty", and Note 6(7) "Impairment-non-financial assets of estimation" of the consolidated financial statements.

Description of key audit matter:

The Group operates in an industry with high investment costs, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets. The impairment assessment includes identifying cash-generating units, determining a valuation model, determining those significant assumptions, and computing the recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding the assumptions used, impairment assessment one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing whether there are impairment indications for the identified cash-generating units of the Group and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; In addition to the above audit procedures, we have appointed specialists to evaluate the appropriateness of the weighted-average cost of capital used and related assumptions; We also performed an inquiry of the management and identified any event after the balance sheet date to determine whether it is able to affect the results of the impairment assessment.

Other Matter

The Group's has prepared its parent-company-only financial statements 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 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 (inculding 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 auditor's 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 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 auditor's 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 of the current period 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 audit resulting in this independent auditors' report are Tzu-Hsin Chang and Chun-Yuan Wu.

KPMG
Taipei, Taiwan (Republic of China)
March 28, 2023

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets:	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 402,732	8	879,764	18
1120	Current financial assets at fair value through other comprehensive income (Note 6(2))	541	-	642	-
1150	Notes receivable, net (Note 6(3))	26,197	1	6,562	-
1170	Accounts receivable, net (Note 6(3))	265,614	5	101,679	2
1200	Other receivables (Note 6(4))	26,032	1	6,379	-
1220	Current tax assets	463	-	221	-
1310	Inventories (Note 6(5))	266,349	5	293,158	6
1470	Other current assets(Note 6(10))	52,457	1	44,331	1
		1,040,385	21	1,332,736	27
	Non-current assets:				
1550	Investments accounted for using equity method, net (Note 6(6))	20,477	-	1,095	-
1600	Property, plant and equipment (Note 6(7) and 8)	3,018,778	62	2,987,244	60
1755	Right-of-use assets (Note 6(8))	216,182	5	205,816	4
1780	Intangible assets (Note 6(9))	1,329	-	2,054	-
1840	Deferred tax assets (Note 6(16))	214,364	4	232,104	5
1915	Prepayments for business facilities	121,654	3	43,968	1
1920	Guarantee deposits paid	44,327	1	44,368	1
1960	Non-current prepayments for investments (Note 6(6))	12,188	-	-	-
1984	Other non-current financial assets, others (Note 8)	215,470	4	111,220	2
1900	Other non-current assets	1,160	-	1,160	-
		3,865,929	79	3,629,029	73
	Total assets	$ 4,906,314	100	4,961,765	100

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Note 6(11) and 8)	$ 444,670	9	300,110	6
2151	Notes payable	31,007	1	12,824	-
2170	Accounts payable	12,895	-	7,855	-
2200	Other payables	110,271	2	86,999	2
2280	Current lease liabilities (Note 6(14))	15,288	1	15,080	1
2300	Other current liabilities (Note 6(12))	7,311	-	4,024	-
2320	Long-term borrowings, current portion (Note 6(13) and 8)	209,379	4	260,295	5
		830,821	17	687,187	14
	Non-Current liabilities:				
2540	Long-term borrowings (Note 6(13) and 8)	1,335,488	27	1,503,753	30
2570	Deferred tax liabilities (Note 6(16))	4,031	-	-	-
2580	Non-current lease liabilities (Note 6(14))	9,992	-	13,616	-
2640	Net defined benefit liability (Note 6(15))	4,861	-	4,224	-
2670	Other non-current liabilities	23,666	1	25,663	1
		1,378,038	28	1,547,256	31
	Total liabilities	2,208,859	45	2,234,443	45
	Equity :(Note 6(17))				
3100	Common stock	1,726,773	35	1,726,773	35
3200	Capital surplus	42,859	1	42,859	1
3300	Retained earnings	908,736	19	1,025,157	20
3400	Other equity interest	19,087	-	(67,467)	(1)
	Total equity	2,697,455	55	2,727,322	55
	Total liabilities and equity	$ 4,906,314	100	4,961,765	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue** (Note 6(19))	$ 1,398,219	100	642,896	100
5000	**Operating costs** (Note 6(5)、(15) and (20))	1,274,049	91	912,071	142
	Gross profit (loss) from operations	124,170	9	(269,175)	(42)
	Operating expenses (Note 6(15) and (20)):				
6100	Selling expenses	128,826	9	54,001	8
6200	Administrative expenses	133,302	10	98,809	15
6300	Research and development expenses	16,585	1	15,674	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (Note 6(3))	4,048	-	(1,634)	-
		282,761	20	166,850	26
	Net operating loss	(158,591)	(11)	(436,025)	(68)
	Non-operating income and expenses:				
7010	Other income (Note 6(21))	4,090	-	24,847	4
7020	Other gains and losses (Note 6(21))	118,275	9	(33,725)	(5)
7050	Finance costs (Note 6(21))	(27,967)	(2)	(20,033)	(3)
7060	Share of losses of associates accounted for using equity method (Note 6(16))	1,426	-	-	-
7100	Interest income (Note 6(21))	5,057	-	714	-
		100,881	7	(28,197)	(4)
7900	**Loss before income tax**	(57,710)	(4)	(464,222)	(72)
7950	**Less: Income tax expenses(benefit)** (Note 6(16))	21,771	2	(92,652)	(14)
	Loss	(79,481)	(6)	(371,570)	(58)
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit obligation (Note 6(15))	(1,069)	-	749	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 6(17))	(1,068)	-	192	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(2,137)	-	941	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements (Note 6(17))	51,751	4	(17,028)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		51,751	4	(17,028)	(2)
8300	**Other comprehensive income (loss) for the period,net of tax**	49,614	4	(16,087)	(2)
8500	**Total comprehensive income for the year**	$ (29,867)	(2)	(387,657)	(60)
	Earnings per share(NT Dollars) (Note 6(18))				
9750	**Basic earnings per share**	$	(0.46)		(2.15)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2021	$ 1,726,773	42,859	359,040	25,586	1,011,352	1,395,978	(15,849)	(34,782)	(50,631)	3,114,979
Loss for the period	-	-	-	-	(371,570)	(371,570)	-	-	-	(371,570)
Other comprehensive income for the period	-	-	-	-	749	749	(17,028)	192	(16,836)	(16,087)
Total comprehensive income for the period	-	-	-	-	(370,821)	(370,821)	(17,028)	192	(16,836)	(387,657)
Appropriation and distribution of retained earnings:										
Special reserve	-	-	-	25,045	(25,045)	-	-	-	-	-
	-	-	-	25,045	(25,045)	-	-	-	-	-
Balance at December 31, 2021	**$ 1,726,773**	**42,859**	**359,040**	**50,631**	**615,486**	**1,025,157**	**(32,877)**	**(34,590)**	**(67,467)**	**2,727,322**
Balance at January 1,2022	1,726,773	42,859	359,040	50,631	615,486	1,025,157	(32,877)	(34,590)	(67,467)	2,727,322
Loss for the period	-	-	-	-	(79,481)	(79,481)	-	-	-	(79,481)
Other comprehensive income for the period	-	-	-	-	(1,069)	(1,069)	51,751	(1,068)	50,683	49,614
Total comprehensive income for the period	-	-	-	-	(80,550)	(80,550)	51,751	(1,068)	50,683	(29,867)
Appropriation and distribution of retained earnings:										
Special reserve	-	-	-	16,836	(16,836)	-	-	-	-	-
	-	-	-	16,836	(16,836)	-	-	-	-	-
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(35,871)	(35,871)	-	35,871	35,871	-
Balance at December 31, 2022	**$ 1,726,773**	**42,859**	**359,040**	**67,467**	**482,229**	**908,736**	**18,874**	**213**	**19,087**	**2,697,455**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022	2021
Cash flows from (used in) operating activities:			
Loss before tax	$	(57,710)	(464,222)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		294,318	376,785
Amortization expense		1,125	1,092
Expected credit (gain)/ Provision for bad debt expense		4,048	(1,634)
Interest expense		27,967	20,033
Interest income		(5,057)	(714)
Dividend income		(66)	(16)
Share of profit of associates accounted for using equity method		(1,426)	-
Loss on disposal of property, plan and equipment		-	650
Property, plan and equipment transferred to expenses		100	225
Total adjustments to reconcile profit		321,009	396,421
Changes in operating assets and liabilities:			
Changes in operating assets:			
(Increase) decrease in notes receivable		(19,635)	3,211
(Increase) decrease in accounts receivable		(167,983)	77,260
Increase in other receivable		(19,320)	(1,445)
Decrease (increase) in inventories		26,809	(101,734)
(Increase) decrease in prepayments		(28,307)	439
Decrease (increase) in other current assets		20,181	(15,210)
Total changes in operating assets		(188,255)	(37,479)
Changes in operating liabilities:			
Increase (decrease) in notes payable		18,183	(3,490)
Increase in accounts payable		5,040	1,701
Increase (decrease) in other payable		28,029	(22,642)
Increase (decrease) in other current liabilities		3,287	(1,983)
Decrease in other non-current liabilities		(1,997)	(1,990)
Decrease in net defined benefit liabilities		(432)	(395)
Total changes in operating liabilities		52,110	(28,799)
Total changes in operating assets and liabilities		(136,145)	(66,278)
Total adjustments		184,864	330,143
Cash inflow (outflow) generated from operations		127,154	(134,079)
Interest received		4,724	709
Dividends received		66	16
Interest paid		(27,553)	(19,888)
Income taxes paid		(242)	(21)
Net cash flows from (used in) operating activities		104,149	(153,263)
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(16,970)	-
Increase in prepayments for investments		(12,188)	-
Acquisition of property, plant and equipment		(241,934)	(272,776)
Decrease (Increase) in refundable deposits		41	(246)
Acquisition of intangible assets		(400)	-
Increase in prepayments for business facilities		(95,282)	(30,899)
Increase in other non-current financial assets		(104,250)	(53,760)
Net cash flows used in investing activities		(470,983)	(357,681)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		290,670	576,510
Decrease in short-term borrowings		(146,110)	(407,270)
Proceeds from long-term borrowings		93,000	510,000
Repayments of long-term borrowings		(312,181)	(271,102)
Payment of lease liabilities		(30,374)	(29,897)
Net cash flows from (used in) financing activities		(104,995)	378,241
Effect of exchange rate changes on cash and cash equivalents		(5,203)	(5,503)
Net decrease in cash and cash equivalents		(477,032)	(138,206)
Cash and cash equivalents at beginning of period		879,764	1,017,970
Cash and cash equivalents at end of period	$	**402,732**	**879,764**

See accompanying notes to consolidated financial statements.

LI-CHENG ENTERPRISE CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. GENERAL

Li-Cheng Enterprise Co., Ltd (the "Company"), formerly Li-Guan Enterprise Co., Ltd, was incorporated by the Ministry of Economic Affairs, R.O.C., on September 26, 1997. The current registered address is No. 5, Dougong 12th Rd., Douliu City, Yunlin County. In 2001, the Company merged with the former Li-Cheng Enterprise Co., Ltd and changed its name to Li-Cheng Enterprise Co., Ltd. The Company and its subsidiaries (the "Group") are primarily engaged in the wholesale and retailing of fabric, garments and accessories, spinning, weaving and dyeing and finishing, etc. For details please refer to Note 14.

The ordinary shares of the Company have been listed on the Taiwan Stock Exchange since December 16, 2011.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'
- Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'
- Annual improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3, 'Reference to the conceptual framework'

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1, 'Disclosure of accounting policies'

- Amendments to IAS 8, 'Definition of accounting estimates'
- Amendments to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Noncurrent Liabilities with Covenants"	In response to that new information, the Board decided to amend 2020 IAS 1 with respect to classification (as current or non-current), only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	January 1, 2024

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28, 'Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture'
- IFRS 17, 'Insurance Contracts' and amendments to IFRS 17, 'Insurance Contracts'
- Amendments to IFRS 17, 'First time application between IFRS 17 and IFRS 9 – Comparative Information'
- IFRS16, 'Requirements for Sale and Leaseback Transactions'

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Basis of measurement

Except for the following significant items, the consolidated financial statements have been prepared under the historical cost convention:

a) Financial assets at fair value through other comprehensive income

b) The defined benefit liabilities are measured at fair value of the plan assets less, the present value of the defined benefit obligation, limited as explained in note 4 and 16.

B. Functional and presentation currency

The functional currency of each consolidated entity is determined based on the primary economic environment in which it operates. The consolidated financial statements are presented in New Taiwan Dollars ("TWD"), which is the Company's functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)	
Name of investor	**Name of subsidiary**	**Main business activities**	**December 31, 2022**	**December 31, 2021**
The Company	Time Leader Investments Ltd.	After-sales service	100%	100%
The Company	Occupation North Trading Co., Ltd.	After-sales service	100%	100%
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Spinning, weaving and dyeing and finishing	100%	100%

C. Subsidiaries not included in the consolidated financial statements: None.

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

a) an investment in equity securities designated as at fair value through other comprehensive income;

b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

c) qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(5) Classification of current and non-current items

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

a) It is held primarily for the purpose of trading;

b) It is expected to be realized within twelve months after the reporting period; or

c) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent. An entity shall classify a liability as current when:

a) It is expected to be settled in the normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is due to be settled within twelve months after the reporting period; or

d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

c) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, refundable deposit and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group' s historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’ s procedures for recovery of amounts due.

d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

c) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates including goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equal or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

a. Buildings and structures 3-50 years

b. Machinery and equipment 3-10 years

c. Transportation equipment 2-5 years

d. Office equipment 2-8 years

e. The significant components of buildings and their estimated useful lives are as follows:

Components	**Estimated useful lives**
Buildings:	
Buildings / Plants	35-50 years

Water supply works	15 years
Drainage works	15 years
Others	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(11) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’ s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;

b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c) amounts expected to be payable under a residual value guarantee; and

d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

a) there is a change in future lease payments arising from the change in an index or rate; or

b) there is a change in the Group’ s estimate of the amount expected to be payable under a residual value guarantee; or

c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

d) there is a change of its assessment on whether it will exercise an extension or termination option; or

e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including business equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(12) Intangible assets

A. Recognition and measurement

Except for goodwill, intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

Software 3-7 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units（CGUs）.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

a) Sale of goods

The Group was engaged in the dyeing and finishing of textile fabric and sold to footwear manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers cash discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated cash discounts. The estimated of the amount of cash discount is based on contract, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Rebate are provided to customers by the Group for overdue delivery. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated freight charges. Accumulated experience is used to estimate the freight charges and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, all the payment of the freight charges paid under overdue delivery is recognized under return liabilities.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

b) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

B. Contract costs

a) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(15) Government grants

The Group recognizes an unconditional government grant related to salaries, working capital and electricity in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest income on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainly related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

a) the same taxable entity; or

different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(18) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as the estimated of employee compensation.

(19) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

A. Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumption as to future demand within a specific time horizon. Due to the future demand of different product, there may be significant changes in the net realizable value of inventories. Please refer to note 6(5) for further description on the valuation of inventories.

B. Impairment assessment on property, plant and equipment (including right-of-use asset)

In the process of evaluating the potential assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

6. EXPLANATION OF MAJOR ACCOUNTING ITEMS

(1) Cash and cash equivalents

(1)		**December 31, 2022**	**December 31, 2021**
Cash and cash on hand	$	544	555
Checking and demand deposits		263,993	879,209
Time deposits		138,195	-
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**402,732**	**879,764**

Please refer to note 6(22) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities.

(2) Financial assets at fair value through other comprehensive income

		December 31, 2022	**December 31, 2021**
Equity investments at fair value through other comprehensive income - current			
Listed shares of domestic company - China Steel Corporation	**$**	**541**	**642**

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

On August 22, 2022, since the Group completed the conversion of the convertible bonds and had a significant impact on Dyecoo Textile Systems B.V., the additional acquisition cost of $16,970 thousand in 2022 was reclassified from equity instruments measured at fair value through other comprehensive income to investments accounted for using the equity method. The fair value on reclassification was $16,003 thousand and the cumulative valuation loss was $35,871 thousand. The loss has been transferred to retained earnings.
The Group did not dispose any strategic investment in 2021, and the accumulated profits and losses during the period were not transferred in equity.

For credit risk and market risk, please refer to Note 6(22).

The aforementioned financial assets were not pledged as collateral.

(3) Notes and accounts receivable

		December 31, 2022	December 31, 2021
Notes receivable - from operating activities	$	26,197	6,562
Accounts receivable - measured at amortized cost	$	271,027	103,044
Less: Loss allowance		(5,413)	(1,365)
	$	265,614	101,679

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

(2)	December 31, 2022			
(3)		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	272,982	1.03%	2,859
1 to 29 days past due		23,616	8.66%	2,045
30 to 60 days past due		87	44.77%	38
61 to 90 days past due		518	86.84%	450
More than 91 days past due		21	100%	21
	$	297,224		5,413

(4)	December 31, 2021			
(5)		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	103,508	0.18%	190
1 to 29 days past due		5,255	7.18%	377
30 to 60 days past due		83	45.55%	38
61 to 90 days past due		-	100%	-
More than 91 days past due		760	100%	760
	$	109,606		1,365

The movement in the allowance for notes, accounts receivable was as follows:

	2022	2021
Balance at January 1	$ 1,365	2,999
Impairment losses recognized (reversed)	4,048	(1,634)
Balance at December 31	$ 5,413	1,365

The aforementioned notes and accounts receivable were not pledged as collateral or restricted in any way.

For further credit risk information, please refers to note 6(22).

(4) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	$ 26,032	6,379

For further credit risk information, please refers to note 6(22).

(5) Inventories

(6)	December 31, 2022	December 31, 2021
Raw materials	$ 56,918	58,918
Work in process	162,934	182,157
Finished goods	46,497	52,083
	$ 266,349	293,158

The details of the cost of goods sold are as follows:

	2022	2021
Cost of goods sold	$ 1,190,071	729,095
Provision for inventory devaluation loss (reversed)	(56,750)	49,504
Unallocated production overheads	108,736	123,429
Inventory scrap loss	35,942	11,845
Others	(3,950)	(1,802)
Total	$ 1,274,049	912,071

As at December 31, 2022 and 2021, the Group’s inventories were not pledged as collateral.

(6) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

(7)	December 31, 2022	December 31, 2021
Associates	$ 20,477	1,095

A. Associates

As at December 31, 2022 and 2021, there is no disclosure of the value of the investments in associates by the Group.

On August 22, 2022, the fair value transferred from equity instruments measured at fair value through other comprehensive income or loss was $16,003 thousand due to the Group had a significant impact on Dyecoo Textile Systems B.V.

The share of the profit and loss of the associates attributable to the Group for the years ended December 31, 2022 and 2021 was summarized as follow:

	2022	2021
Share of losses of associates	$ 1,426	-

Summarized financial information for investments in associates is as follows (before being adjusted to the Group's proportionate share):

(8)	December 31, 2022	December 31, 2021
Total assets	$ 234,293	5,297
Total liabilities	(110,163)	(1)
	$ 124,130	5,296
Revenue	$ 23,769	-
Net loss	$ (11,251)	-

B. Prepayment for investments

On December 15, 2022, the Group made a prepayment of $12,188 thousand for the shares Chongqing Fenghwa Group Co., Ltd., which had not yet been established as of December 31, 2022.

C. Collateral

As at December 31, 2022 and 2021, the Group's investments accounted for using equity method were not pledged as collateral.

(7) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office and other equipment	Construction in process and testing equipment	Total
Cost:							
Balance at January 1, 2022	$ 880,293	1,088,645	2,871,926	20,836	96,619	930,138	5,888,457
Additions	-	7,606	12,223	548	18,396	197,990	236,763
Disposals	-	-	-	-	(1,522)	-	(1,522)
Reclassification	-	11,722	114,362	900	942	(110,430)	17,496
Effect of changes in foreign exchange rates	-	-	-	-	26	35,727	35,753
Balance at December 31, 2022	$ 880,293	1,107,973	2,998,511	22,284	114,461	1,053,425	6,176,947
Balance at January 1, 2021	$ 880,293	984,088	2,680,819	21,585	89,804	783,420	5,440,009
Additions	-	13,504	5,549	-	5,144	253,451	277,648
Disposals	-	(1,224)	-	(737)	(2,581)	-	(4,542)
Reclassification	-	92,277	185,558	-	4,272	(100,441)	181,666
Effect of changes in foreign exchange rates	-	-	-	(12)	(20)	(6,292)	(6,324)
Balance at December 31, 2021	$ 880,293	1,088,645	2,871,926	20,836	96,619	930,138	5,888,457
Accumulated depreciation:							
Balance at January 1, 2022	$ -	401,868	2,400,045	17,796	81,504	-	2,901,213
Depreciation	-	57,528	193,555	1,100	6,279	-	258,462
Disposals	-	-	-	-	(1,522)	-	(1,522)
Effect of changes in foreign exchange rates	-	-	-	-	16	-	16
Balance at December 31, 2022	$ -	459,396	2,593,600	18,896	86,277	-	3,158,169
Balance at January 1, 2021	$ -	345,642	2,122,079	16,767	78,671	-	2,563,159
Depreciation	-	57,232	277,966	1,460	5,309	-	341,967
Disposals	-	(1,006)	-	(425)	(2,461)	-	(3,892)
Effect of changes in foreign exchange rates	-	-	-	(6)	(15)	-	(21)
Balance at December 31, 2021	$ -	401,868	2,400,045	17,796	81,504	-	2,901,213
Carrying value:							
Balance at December 31, 2022	$880,293	648,577	404,911	3,388	28,184	1,053,425	3,018,778
Balance at January 1, 2021	$880,293	638,446	558,740	4,818	11,133	783,420	2,876,850
Balance at December 31, 2021	$880,293	686,777	471,881	3,040	15,115	930,138	2,987,244

A. Details of collateral for borrowing and guaranteed financing, please refer to Note 8.

B. Impairment loss

The Group performed impairment assessment on property, plant and equipment at its fair price on December 31, 2022 and 2021.

(8) Right-of-use assets

The Group leases land and buildings. Information about leases for which the Group as a lessee was presented below:

		Land	Buildings and structures	Total
Cost:				
Balance at January 1, 2022	$	192,100	113,636	305,736
Additions		-	26,958	26,958
Effect of changes in foreign exchange rates		21,028	-	21,028
Balance at December 31, 2022	$	213,128	140,594	353,722
Balance at January 1, 2021	$	197,652	79,363	277,015
Additions		-	34,273	34,273
Effect of changes in foreign exchange rates		(5,552)	-	(5,552)
Balance at December 31, 2021	$	192,100	113,636	305,736
Accumulated depreciation:				
Balance at January 1, 2022	$	14,607	85,313	99,920
Depreciation for the year		5,728	30,128	35,856
Effect of changes in foreign exchange rates		1,764	-	1,764
Balance at December 31, 2022	$	22,099	115,441	137,540
Balance at January 1, 2021	$	9,564	55,868	65,432
Depreciation for the year		5,373	29,445	34,818
Effect of changes in foreign exchange rates		(330)	-	(330)
Balance at December 31, 2021	$	14,607	85,313	99,920
Carrying amount:				
Balance at December 31, 2022	$	191,029	25,153	216,182
Balance at January 1, 2021	$	188,088	23,495	211,583
Balance at December 31, 2021	$	177,493	28,323	205,816

(9) Intangible assets

The costs and amortization of the intangible assets of the Group for the years ended December 31,2022 and 2021 were as follows:

		Software
Costs:		
Balance at January 1, 2022	$	25,177
Additions		400
Balance at December 31, 2022	$	25,577
Balance at January 1, 2021 (same as Balance at December 31, 2021)	$	25,177
Accumulated amortization:		
Balance at January 1, 2022	$	23,123
Amortization for the year		1,125
Balance at December 31, 2022	$	24,248
Balance at January 1, 2021	$	22,031
Amortization for the year		1,092
Balance at December 31, 2021	$	23,123
Carrying value:		
Balance at December 31, 2022	$	1,329
Balance at January 1, 2021	$	3,146
Balance at December 31, 2021	$	2,054

A. Amortization

The amortization of intangible assets is included in the statement of comprehensive income:

		2022	2021
Operating cost	$	85	85
Operating expense		1,040	1,007
	$	1,125	1,092

B. Collateral

As of December 31, 2022 and 2021, the intangible assets of the Group were not pledged as collateral.

(10) Other current assets

The details of other current assets were as follows:

		December 31, 2022	December 31, 2021
Prepaid expenses	$	27,283	19,516
Prepayment for purchases		23,305	2,765
Others		1,869	22,050
	$	52,457	44,331

(11) **Short-term borrowings**

The details of short-term borrowings were as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 100,000	100,000
Secured bank loans	344,670	200,110
Total	**$ 444,670**	**300,110**
Unused credit lines	**$ 420,330**	**578,800**
Range of interest rates	**1.3318%~1.46%**	**0.82%~0.95%**

Assets pledged are disclosed in Note 8.

(12) Other current liabilities

The details of other current liabilities were as follows:

	December 31, 2022	December 31, 2021
Refund liabilities	$ 2,259	808
Contract liabilities - unearned sales revenue	3,359	1,521
Receipts under custody	1,693	1,695
	$ 7,311	**4,024**

The refund liabilities are mainly the estimated amount of compensation due overdue delivery to customers.

(13) Long-term borrowings

The details of long-term borrowings were as follows:

(9)	**December 31, 2022**			
(10)	**Currency**	**Range of interest rates**	**Expiration**	**Amount**
Secured bank loans	TWD	1.4%~1.915%	2024.4.1~2041.4.21	$ 1,544,867
Less: Current portion				(209,379)
Total				**$ 1,335,488**
Unused credit lines				**$ 100,000**

(11)	December 31, 2021			
(12)	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	0.9%~1.29%	2022.1.18~2041.4.21	$ 1,764,048
Less: Current portion				(260,295)
Total				$ 1,503,753
Unused credit lines				$ 100,000

Assets pledged are disclosed in Note 8.

(14) Lease liabilities

The carrying value of lease liabilities was as follows:

	December 31, 2022	December 31, 2021
Current	$ 15,288	15,080
Non-current	$ 9,992	13,616

For the maturity analysis, please refer to note 6(22).

The amounts recognized in profit or loss were as follows:

(13)	2022	2021
Interest on lease liabilities	$ 272	282
Expenses relating to short-term leases	$ 1,256	1,732
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 450	394

The amounts recognized in the statement of cash flows for the Group was as follows:

(14)	2022	2021
Total cash outflow for leases	$ 32,352	32,305

As of December 31, 2022 and 2021, the Group leases buildings for plants, warehouses and staff dormitory. The lease term of plant is 6 years and warehouses and staff dormitory is 1-3 years.

(15) Employee benefits

A. Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets for the years ended December 31, 2022 and 2021, were as follows:

(15)	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ 16,338	14,381
Fair value of plan asset	(11,477)	(10,157)
Net defined benefit liability	**$ 4,861**	**4,224**

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for its employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

a) Composition of plan assets

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Group' s contributions to the pension funds were deposited with Bank of Taiwan, which amounted to $11,477 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31	
	2022	2021
Defined benefit obligations at January 1	$ 14,381	15,967
Current service costs and interest cost	73	83
Remeasurement on the net defined benefit liabilities (assets):		
- Actuarial losses (gains) arising from demographic assumptions	70	-

- Actuarial loss (gain) arising from changes in financial assumptions		(1,112)	21
- Experience adjustments		2,926	(639)
Benefits paid		-	(1,051)
Defined benefit obligations at December 31	$	16,338	14,381

a) Movements in fair value of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for the years ended December 31, 2022 and 2021, were as follows:

		2022	2021
Fair value of plan assets at January 1	$	10,157	10,599
Interest income		53	56
Remeasurements of the net defined benefit assets			
- Actuarial loss (gain) arising from changes in financial assumptions		814	131
Contributions paid by the employer		453	422
Benefits paid		-	(1,051)
Fair value of plan assets at December 31	$	11,477	10,157

b) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

		For the years ended December 31	
		2022	2021
Net interest of net liabilities for defined benefit obligations	$	20	27
Operating costs	$	16	21
Selling expenses		1	2
Administration expenses		2	3
Research and development expenses		1	1
Total	$	20	27

c) Actuarial valuations

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.15%	0.51%
Future salary increase rate	1.50%	1.50%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $467 thousand.

The weighted average lifetime of the defined benefit plans is 3 years.

d) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2022 and 2021.

	Influences of defined benefit obligations	
	Increase 0.5%	Decrease 0.5%
December 31, 2022		
Discount rate	$ (917)	990
Future salary increasing rate	896	(842)
December 31, 2021		
Discount rate	$ (879)	953
Future salary increasing rate	864	(808)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

B. Defined contribution plans

The Group allocates 6% of each employee’s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $13,593 and $13,525 for the years ended December 31, 2022 and 2021, respectively.

(16) Income taxes

A. Income tax expense (benefit)

The components of income tax expenses (benefit) in the years 2022 and 2021 were as follows:

		2022	2021
Current tax expense (benefit)			
Current period	$	-	-
Adjustment for prior periods		-	-
Additional surtax on unappropriated earnings		-	-
		-	-
Deferred tax expense (benefit)			
Origination of temporary differences		21,771	(92,652)
Income tax expenses (benefit)	**$**	**21,771**	**(92,652)**

The Group has no income tax expenses recognized in other comprehensive income for the years 2022 and 2021.

Reconciliation of income tax expenses and profit before tax for 2022 and 2021 were as follows.

(16)		**2022**	**2021**
Loss before tax	**$**	**(57,710)**	**(464,222)**
Income tax using the Company's domestic tax rate	$	(11,542)	(92,844)
Dividend income		(13)	(3)
Income from government grants		-	(2,667)
Other tax effect generated from adjustment of tax rule		(80)	(43)
Tax effect of investment loss generated from investment accounted for using equity method		3,383	2,905
Current-year losses for which no deferred tax asset was recognized		30,023	-
Total	**$**	**21,771**	**(92,652)**

B. Deferred tax assets and liabilities

a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

(17)	December 31, 2022	December 31, 2021
Temporary differences associated with investments in subsidiaries	$ 81,418	64,502
Tax losses	$ 150,113	-
Total of unrecognized deferred tax assets	$ 46,306	12,900

Since the Group considered it is probable that the temporary differences will not reverse in the foreseeable future, the temporary differences will not been recognized as deferred income tax assets.

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax losses	Expiry date
2020	$ 128,200	2030
2021	21,913	2031
	$ 150,113	

b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets

	Provision for inventory devaluation loss	Tax loss carryforw ard	Long-term deferred revenue	Others	Total
Balance at January 1, 2022	$ 105,871	111,347	5,129	9,757	232,104
Recognized in profit or loss	(11,351)	-	(399)	(5,990)	(17,740)
Balance at December 31, 2022	**$ 94,520**	**111,347**	**4,730**	**3,767**	**214,364**
Balance at January 1, 2021	$ 95,970	25,640	5,528	12,314	139,452
Recognized in profit or loss	9,901	85,707	(399)	(2,557)	92,652
Balance at December 31, 2021	**$ 105,871**	**111,347**	**5,129**	**9,757**	**232,104**

Deferred tax liabilities

	Unrealized gains
Balance at January 1, 2022	$ -
Recognized in profit or loss	4,031
Balance at December 31, 2022	**$ 4,031**

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have been recognized in respect of these items because they are probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

(18) Year of loss	Unused tax losses	(19) Expiry date
2021	$ 406,624	2031
2022	150,113	2032
	$ 556,737	

C. Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the tax authority.

(17) Capital and other equity interest

As of December 31, 2022, and 2021, all of the authorized ordinary share of the Company was $2,000,000 thousand, comprising 200,000 thousand shares, with a par value of $10 per share. The issued shares were 172,677 thousand shares. All the capitals were fully received.

Reconciliation of shares outstanding and issued for 2022 and 2021 were as follows:

	Ordinary Share	
Unit: Thousand shares	**2022**	**2021**
Balance at December 31, 2022 (Same as Balance at January 1, 2022)	**172,677**	**172,677**

A. Capital surplus

The balance of capital surplus at the reporting date was as follows:

(20)	December 31, 2022	December 31, 2021
Additional paid-in capital	$ 32,060	32,060
Treasury shares transactions	837	837
Gain on disposal of assets	3	3
Merger and premium	9,959	9,959
	$ 42,859	**42,859**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

B. Retained earnings

The Company's article of incorporation stipulates that Company's after-tax earnings should first be used to offset the prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve until the balance of the legal reserve equals the total authorized capital. Special reserve is also made available in accordance with the operation needs of the Company and statutory requirements. And any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

The Company’s dividend policy shall be based on considerations of the Company’s current and future investment opportunities, capital requirements, domestic and external competition and the Company's budget, and taking into account the interests of shareholders. The Board of Directors shall, in accordance with the law, prepare a proposal for distribution each year and submit it to the shareholders for approval. In principle, the rate of cash dividends shall not be less than 10% of the proposed dividends to shareholders.

a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

b) Special reserve

In accordance with the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other stockholders’ equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders’ equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders’ equity shall qualify for additional distributions.

c) Earning distribution

The deficit compensation for 2021 and 2020 which were approved during the stockholders' meeting held on June 15, 2022 and July 30, 2021, respectively, were consistent with those of the resolution approved by the Board of Directors.

C. Other equity (net of tax)

(21)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	$ (32,877)	(34,590)	(67,467)
Foreign currency translation differences (after tax)	51,751	-	51,751
Unrealized losses on financial assets measured at fair value through other comprehensive income	-	(1,068)	(1,068)
Reclassification of cumulative gain or loss on disposal of investments in financial instruments at fair value through other comprehensive income to profit or loss	-	35,871	35,871
Balance at December 31, 2022	$ 18,874	213	19,087
Balance at January 1, 2021	$ (15,849)	(34,782)	(50,631)
Foreign currency translation differences (after tax)	(17,028)	-	(17,028)
Unrealized profits on financial assets measured at fair value through other comprehensive income	-	192	192
Balance at December 31, 2021	$ (32,877)	(34,590)	(67,467)

(18) Earnings per share

The calculation of basic earnings per share in 2022 and 2021 were as follows:

Basic earnings per share

A. Profit (loss) attributable to common shareholders of the Company

Unit of share: thousand

(22)	2022	2021
Loss attributable to common shareholders of the Company	$ (79,481)	(371,570)

B. Weighted-average number of shares

(23)	2022	2021
Weighted-average number of shares	172,677	172,677

The Group are loss in 2021 and 2020 and there is no dilution effect.

(19) Revenue from contracts with customers

A. Disaggregation of revenue

		2022	2021
Primary geographical markets			
Taiwan	$	448,769	296,616
Vietnam		196,502	157,225
China		410,965	115,844
Others		341,983	73,211
	$	1,398,219	642,896
Major products/services lines:			
Finished fabric	$	1,387,644	623,745
Raw yarn		2,757	4,875
Panhead yarn		164	658
Others		7,654	13,618
Total	$	1,398,219	642,896

B. Contract balances

		December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	$	26,197	6,562	9,773
Accounts receivable	$	271,027	103,044	180,304
Less: Loss allowance		(5,413)	(1,365)	(2,999)
	$	265,614	101,679	177,305
Contract liabilities - unearned sales revenue	$	3,359	1,521	209

For details on notes and accounts receivable and allowance for impairment, please refer to note 6(3).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were $1,501 and $209 thousand, respectively.

Contract liabilities mainly arise from the advance receipts from sales of finished fabrics. The Group will recognize revenue when the goods are transferred to customers.

(20) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 2% of the remaining profit for distribution to employees as remuneration and no more than 5% of the remaining profit for distribution to directors as remuneration. The Company shall set aside not less than 2% of the remuneration of the Supervisor before the establishment of the Audit Committee. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific qualifications.

Because the Company incurred a net loss for the years ended December 31, 2022 and 2021, compensation to employees and directors were not accrued.

For related information about the Company's compensation to employees and directors will be available at the Market Observation Post System website.

(21) Non-operating income and expenses

A. Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

(24)	2022	2021
Interest from bank deposits	$ 5,022	708
Other interest income	35	6
	$ 5,057	**714**

B. Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

(25)	2022	2021
Government grants	$ -	13,333
Dividends	66	16
Others	4,024	11,498
	$ 4,090	**24,847**

C. Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

(26)		2022	2021
Foreign exchange gains (losses)	$	118,275	(29,475)
losses on disposals of property, plant and equipment		-	(650)
Other losses		-	(3,600)
	$	118,275	(33,725)

D. Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

(27)		2022	2021
Interest expenses			
Bank deposits	$	(27,695)	(19,751)
Lease liabilities		(272)	(282)
	$	(27,967)	(20,033)

(22) Financial instruments

A. Credit risk

a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk were $979,828 thousand and $1,149,417 thousand, respectively.

b) Concentration of credit risk

To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. As of December 31, 2022 and 2021, four customers accounted for 52% and 54% respectively of accounts receivable resulted in concentration of credit risk.

c) Credit risks of receivables and debt securities

Please refer to note 6(3) for credit risk information on notes and accounts receivables.

Other financial assets at amortized cost include other receivables, refundable deposit and other financial assets. The impairment provision recognized during the period was limited to 12 months expected credit losses. There is no loss allowance for the period ended December 31, 2022 and 2021, hence no losses are recognized.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(28)	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Bank borrowings with floating interest rates	$ 1,989,537	2,164,775	899,003	614,820	443,383	207,569
Notes and accounts payable	43,902	43,902	43,902	-	-	-
Other payables	110,271	110,271	110,271	-	-	-
Lease liabilities	25,280	25,483	15,427	6,956	3,100	-
	$ 2,168,990	2,344,431	1,068,603	621,776	446,483	207,569
December 31, 2021						
Non-derivative financial liabilities						
Bank borrowings with floating interest rates	$ 2,064,158	2,194,820	848,462	625,664	549,557	171,137
Notes and accounts payable	20,679	20,679	20,679	-	-	-
Other payables	86,999	86,999	86,999	-	-	-
Lease liabilities	28,696	28,997	15,254	7,227	6,516	-
	$ 2,200,532	2,331,495	971,394	632,891	556,073	171,137

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

a) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

(29)	December 31, 2022			December 31, 2021		
(30)	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 16,862	30.71	517,832	26,383	27.68	730,281
EUR	910	32.72	29,775	1,837	31.32	57,535

b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and financial assets at fair value through other comprehensive income, that are denominated in foreign currency. As of December 31, 2022 and 2021, when the exchange rate of the NTD versus the foreign currency increase or decrease by 5%, given no changes in other factors, profit after tax will increase or decrease by

$21,904 thousand and $31,513 thousand, respectively. This analysis was performed on a consistent basis for both periods.

c) Foreign exchange gains and losses on monetary items

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

(31)	2022		2021	
(32)	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
USD	$ 114,570	29.8489	(22,034)	27.9983
EUR	3,705	31.3510	(7,441)	33.1142

D. Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Group’s net profit would have decreased or increased by $7,958 thousand and $8,257 thousand for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant. This is mainly due to the Group’s borrowing at floating rates.

E. Fair value of financial instruments

a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and disclosure of fair value information is not required:

	December 31, 2022				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					

	Carrying amount	Level 1	Level 2	Level 3	Total
Listed shares of domestic company	$ 541	541	-	-	541
Financial assets measured at amortized cost					
Cash and cash equivalents	402,732	-	-	-	-
Notes and accounts receivable	291,811	-	-	-	-
Other receivables	26,032	-	-	-	-
Refundable deposits	44,327	-	-	-	-
Other financial assets-noncurrent	215,470	-	-	-	-
Subtotal	980,372	-	-	-	-
Total	**$ 980,913**	**541**	**-**	**-**	**541**
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 444,670	-	-	-	-
Long-term borrowings (current portion)	209,379	-	-	-	-
Notes and accounts payable	43,902	-	-	-	-
Other payables	110,271	-	-	-	-
Lease liabilities	25,280	-	-	-	-
Long-term borrowings	1,335,488	-	-	-	-
Total	**$ 2,168,990**	**-**	**-**	**-**	**-**

	December 31, 2021				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed shares of domestic company	$ 642	642	-	-	642
Financial assets measured at amortized cost					
Cash and cash equivalents	879,764	-	-	-	-
Notes and accounts receivable	108,241	-	-	-	-
Other receivables	6,379	-	-	-	-
Refundable deposits	44,368	-	-	-	-
Other financial assets-noncurrent	111,220	-	-	-	-
Subtotal	1,149,972	-	-	-	-
Total	**$ 1,150,614**	**642**	**-**	**-**	**642**

	December 31, 2021				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 300,110	-	-	-	-
Long-term borrowings (current portion)	260,295	-	-	-	-
Notes and accounts payable	20,679	-	-	-	-
Other payables	86,999	-	-	-	-
Lease liabilities	28,696	-	-	-	-
Long-term borrowings	1,503,753	-	-	-	-
Total	**$ 2,200,532**	**-**	**-**	**-**	**-**

b) Valuation techniques for financial instruments not measured at fair value

The carrying amounts of the consolidated financial statements approximate the fair values of the financial instruments, which are not measured at fair value, by the Group as their maturity dates are close to or future receipts and payments are approximate to their carrying amounts.

c) Valuation techniques for financial instruments measured at fair value

Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair values of financial assets with standard terms and conditions and traded in active markets are determined with reference to the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data.

d) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2022 and 2021.

(23) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

a. Credit risk

b. Liquidity risk

c. Market risk

The following likewise discusses the Group’ s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks’ exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Group’ s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative financial instruments in accordance with the Group’s policy on risks arising from financial instruments such as credit risk, currency risk, and interest rate risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial
instruments (including derivative financial instruments) for the purpose of speculation.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’ s receivables from customers and investment securities.

a) Accounts receivable and other receivables

To minimize credit risk, the Group periodically evaluates its financial positions and the possibility of collecting accounts receivable. Besides, the Group monitors and reviews the recoverable amounts of the accounts receivable to ensure the uncollectible amounts.
The Group did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. The Group’s review includes external ratings, when available, and, in some cases, bank references. Credit limits are established for each customer, and these limits are reviewed regularly. First-time customers, customers that have not traded for a long period, and customers that fail to meet the Group’ s benchmark creditworthiness may transact with the Group only on a prepayment basis.

b) Investments

The exposure to credit risk for the bank deposits is measured and monitored by the Group’s finance department. The Group only deals with banks with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

D. Liquidity risk

The Group manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group' s management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit line were amounted to $520,330 thousand and $599,890 thousand, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies used in these transactions are the NTD, USD and EUR.

b) Interest rate risk

The Group's borrowings are mainly variable-rate debts and therefore changes in market interest rates will cause a change in its effective interest rates and its future cash flows to fluctuate. The Group reduced its interest rate risk by negotiating interest rates with its bankers from time to time.

c) Other market price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The equity investment is not held for trading but is a strategic investment and the Group regularly monitors the financial position of the issuer of the equity instrument to manage the price risk of the equity instrument and the fund investment.

(24) Capital management

The Group' s objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.
As at 31 December 2022, the Group's capital management strategy is consistent with the prior year as of 31 December 2021 to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December 2022 and 2021, is as follows:

(33)		December 31, 2022	December 31, 2021
Total liabilities	$	2,208,859	2,234,443
Less: cash and cash equivalents		(402,732)	(879,764)
Net debt	$	1,806,127	1,354,679
Total Equity	$	2,697,455	2,727,322
Total capital	$	4,503,582	4,082,001
Debt-to-equity ratio		40.10%	33.19%

(25) Investing and financing activities not affecting current cash flow

The Group acquired right-of-use assets by leases, which is investing and financing activities not affecting current cash flow, for the years ended December 31, 2022 and 2021, please refer to note 6(8).

Reconciliation of liabilities arising from financing activities was as follows:

(34)				Non-cash changes			
(35)		January 1, 2022	Cash flows	Acquisition	Foreign exchange movement	Fair value changes	December 31, 2022
Long-term borrowings	$	1,764,048	(219,181)	-	-	-	1,544,867
Short-term borrowings		300,110	144,560	-	-	-	444,670
Lease liabilities		28,696	(30,374)	26,958	-	-	25,280
Total liabilities from financing activities	$	2,092,854	(104,995)	26,958	-	-	2,014,817

(36)				Non-cash changes			
(37)		January 1, 2021	Cash flows	Acquisition	Foreign exchange movement	Fair value changes	December 31, 2021
Long-term borrowings	$	1,525,150	238,898	-	-	-	1,764,048
Short-term borrowings		130,870	169,240	-	-	-	300,110
Lease liabilities		24,320	(29,897)	34,273	-	-	28,696
Total liabilities from financing activities	$	1,680,340	378,241	34,273	-	-	2,092,854

7. RELATED PARTY TRANSACTION

Transactions with key management

The compensation of key management is as follows:

		2022	2021
Short-term employee benefits	$	7,258	6,958
Post-employment benefits		-	-
Other long-term benefits		-	-
Termination benefits		-	-
Share-based payment		-	-
	$	7,258	6,958

8. PLEDGED ASSETS

The carrying amounts of pledged assets were as follows:

(38) Pledged assets	(39) Object		December 31, 2022	December 31, 2021
Property, plant and equipment	Guarantee for line of credit for long-term borrowings or short-term borrowings	$	1,722,846	1,751,101
Time deposits (Other financial assets – noncurrent)	Guarantee for line of credit for short-term borrowings		214,970	110,720
Time deposits (Other financial assets – noncurrent)	Purchase Pledge		500	500
		$	1,938,316	1,862,321

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The amounts of unrecognized contractual commitments for acquiring property, plant and equipment for the years ended December 31, 2022 and 2021 were $367,996 thousand and $222,773 thousand respectively.

10. LOSSES ON CATASTROPHIC DISASTERS: None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: None.

12. OTHERS

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022 Operating Costs	2022 Operating Expenses	2022 Total	2021 Operating Costs	2021 Operating Expenses	2021 Total
Employee benefits						
Salary	269,874	81,432	351,306	214,609	68,752	283,361
Labor and health insurance	27,568	8,409	35,977	27,069	8,461	35,530
Pension	9,779	3,834	13,613	9,711	3,841	13,552
Remuneration of directors	-	-	-	-	5,116	5,116
Others	10,560	2,561	13,121	9,137	1,764	10,901
Depreciation	275,881	18,437	294,318	359,787	16,998	376,785
Amortization	85	1,040	1,125	85	1,007	1,092

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2022:

A. Loans to others:

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Actual amount drawn down	Nature of loan	Amount of transactions with the borrower	Amount of transactions with the borrower	Allowance For doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Other receivables	Yes	261,035	261,035	261,035	1.05% - 1.20%	Short-term financing	-	Turnover of operation	-	None	-	269,746	539,491

Note 1: Limit on total loan to others is 20% of the Company's net assets. Limit on loans a single party is 10% of the Company's net assets.

Note 2: Net value represents the amount shown in the most recent financial statements certified by accountants.

B. Provision of endorsements and guarantees to others:

Expressed in thousands of NTD

No.	Endorser/ Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees by subsidiary to parent company
		Company name	Relationship with the endorser/ guarantor										
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary	539,491	288,674	288,674	-	-	10.70%	1,078,982	Y	N	N

Note 1: Limit on the Company endorsements/guarantees to others is 40% of the Company’s net assets. Limit on the Company's endorsements/guarantees to a single party is 20% of the Company’s net assets.

Note 2: Net value represents the amount shown in the most recent financial statements certified by accountants.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Expressed in thousands of NTD
thousands of shares

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Maximum Percentage of ownership for the period	Note
				Number of shares	Book value	Ownership (%)	Fair value		
The Company	Ordinary Shares - China Steel Corporation	-	Financial assets at fair value through other comprehensive profit and loss current	18.167	541	-	541	-%	-

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of property reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of property reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more:

Expressed in thousands of NTD

Creditor	Counter Party	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary	273,009	Note 1	-		-	-

Note1：Including short-term financing necessary and other receivables from transactions not related to ordinary sales.

I. Derivative financial instruments undertaken for the year ended December 31, 2022: None.

J. Significant inter-company transactions for the year ended December 31, 2022:

Expressed in thousands of NTD

No.	Company Name	Counter Party	Nature of Relation ship	Transactions			
				General ledger account	Amount	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
0	The Company	Time Leader Investments Ltd.	1	Sales and administrative expenseOther Payable	55 55	No comparison available	-% -%
0	The Company	Occupation North Trading Co., Ltd.	1	Sales and administrative expenseOther Payable	1,695 426	No comparison available	0.12% 0.01%
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	1	Interest Income Other receivables	1,906 261,035	Interest rate 1.05%-1.20% Period 1 year	0.14% 5.32%
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	1	Other receivables	11,974	No comparison available	0.24%

Note1: Representations of No. were as follows:
1) No.0 represents the parent company.
2) Subsidiaries were numbered in sequence from No.1.

Note2: Type of intra-group transactions were as follows:
1) represents the transactions form parent company to subsidiary.
2) represents the transactions from subsidiary to parent company.
3) represents the transactions between subsidiaries.

(2) Information on investees:

The followings are the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Expressed in thousands of NTD, USD, EUR, Shares

				Initial investment amount		Shares held as at December 31, 2022						
Name of investor	**Name of investee**	**Location**	**Major operations**	**Balance as at December 31, 2022**	**Balance as at December 31, 2021**	**Number of shares**	**Ownership (%)**	**Book value**	**Highest percentage of ownership during the year**	**Net profit (loss) of the investee for the year ended December 31, 2022**	**(40) Investment (41) income(loss) (42) recognized by the (43) Company for the year (44) ended December 31, 2022**	**Note**
The Company	Time Leader Investments Ltd.	Samoa	After sales services	37,882 (US$ 1,200)	37,882 (US$ 1,200)	1,200	100.00%	2,781	100.00%	(55)	(55)	Note1
The Company	Occupation North Trading Co., Ltd.	Republic of Seychelles	After sales services	7,684 (US$ 250)	7,684 (US$ 250)	250	100.00%	2,192	100.00%	-	-	Note1
The Company	LITNERTEX CO., LTD.	Taiwan	Supercapacitors, energy modules, mobile power and electric bicycle energy systems	12,630	12,630	1,137	20.67%	1,095	20.67%	3	-	
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Vietnam	Spinning, weaving and dyeing finishing	515,038 (US$ 17,390)	515,038 (US$ 17,390)	Limited liability	100.00%	486,234	100.00%	(18,287)	(18,287)	Note1
The Company	Dyecoo Textile Systems B.V.	Netherlands	Anhydrous dyeing development	51,875 (EUR$ 1,500)	0	24,770	23.33%	19,382	23.33%	(11,254)	1,426	

Note 1: The transaction was eliminated in the preparation of consolidated financial statements.

(3) Information on investment in Mainland China: None.

(4) Major shareholders:

Expressed in Share

Shareholder's Name	**Shares**	**Percentage**
TOPRISE INVESTMENTS LIMITED	24,565,564	14.22%
Wenyao Hong	15,392,323	8.91%
Ruying You	15,081,722	8.73%
YI HE INVESTMENTS LIMITED	14,219,549	8.23%

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

14. SEGMENT INFORMATION

1. General information

The Group is a single reporting segment, knitted fabric dyeing and finishing division, mainly engaged in the manufacture and sale of three-layer mesh fabrics.

2. Information on reportable segment profit or loss, assets, liabilities, and basis of measurement and reconciliation

The information on segment profit or loss, assets, and liabilities is consistent with the information in the consolidated financial statements; please refer to the consolidated balance sheets and consolidated statements of comprehensive income.

3. Information about products

Revenue from the external customers of the Group was as follows:

Products	**2022**	**2021**
Finished fabric	$ 1,387,644	623,745
Raw yarn	2,757	4,875
Panhead yarn	164	658
Others	7,654	13,618
Total	**$ 1,398,219**	**642,896**

4. Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and noncurrent assets are based on the geographical location of the assets.

Geographical area	2022	2021
Revenue from external customers:		
Taiwan	$ 448,769	296,616
Vietnam	196,502	157,225
Mainland China	410,965	115,844
Other countries	341,983	73,211
	$ 1,398,219	642,896

Geographical area	December 31, 2022	December 31, 2021
Non-current assets:		
Taiwan	$ 2,625,763	2,756,608
Vietnam and other countries	733,340	483,634
	$ 3,359,103	3,240,242

Noncurrent assets include property, plant and equipment, right-of-use assets, intangible assets, prepayments for equipment, and other assets, but excluded financial instruments and deferred tax assets.

5. Major customer information

	2022	2021
Customer A	$ 64,179	117,928
Customer C	244,520	23,691
Customer D	141,586	64,083
Customer E	275,119	85,969
Customer F	49,874	68,786
	$ 775,278	360,457

Appendix 2

LI CHENG ENTERPRISE CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

Address: No. 5, Dougong 12th Rd., Douliu City, Yunlin County 640153 , Taiwan (R.O.C.)
Telephone: (05)557-1010

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of theEnglish and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of LI CHENG ENTERPRISE CO.,LTD:

Opinion

We have audited the financial statements of LI CHENG ENTERPRISE CO.,LTD(" the Company"), which comprise the balance sheet as of December 31, 2022 and 2021, the statement 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.

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 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 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 of 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 of the current period. 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.We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   Please refer to Note 4(14) "Revenue" and Note 6(19) of the financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

   Description of key audit matter:

   Some of the sales of the Company need to provide discounts to customers based on the agreement of the contract.The company has the estimation series of the management authority of the limited company for the above matters is a deduction of revenue. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Company.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principle audit procedures included testing the internal control system for revenue recognition of the financial statements, analyzing there is any major abnormality in a change in customers between the current year and the prior year, and checking relevant customer sales and contract terms and testing profit. The consistency of accounting treatment related to the sales terms of the business of the Company.

2. Inventory valuation

Please refer to Note 4(7) "Accounting policies", Note 5 "Uncertainty of accounting estimates and assumptions", and Note 6(5) "Related disclosures for inventory valuation".

Description of key audit matter:

The Company’s inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement in technology. Therefore, the valuation of inventories has been identifited as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include assessing the Company’s allowance on inventory according to its characteristics, including conducting sampling test to examine accuracy of inventory aging; assessing the Company’ s inventory decline or rationality of debt ratio; examining accuracy of allowance on inventory for past years, and comparing with this period, in order to assess whether estimation method for this period is presented fairly.

3. Impairment of long-term non-financial assets (excluding goodwill)

Refer to Note 4(13) "Impairment of nonfinancial assets", Note 5 "Critical accounting judgments and key sources of estimation and assumption uncertainty", and Note 6(7) "Impairment-non-financial assets of estimation" to the financial statements.

Description of key audit matter:

The Company operates in an industry with high investment costs, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term nonfinancial assets. The impairment assessment includes identifying cash-generating units, determining a valuation model, determining those significant assumptions, and computing the recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding the assumptions used, impairment assessment one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing whether there are impairment indications for the identified cash-generating units of the Company and its related assets ; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets' future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; We also appointed an inquiry of the management and identified any event after the balance sheet date to determine whether it is able to affect the results of the impairment assessment.

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 (inculding 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 auditor' s 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 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, misrepresent ations, 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 auditor's 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 the investment in other entities accounted for using the equity method to express an opinion on this 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 of the current period 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 audit resulting in this independent auditors' report are Tzu-Hsin Chang and Chun-Yuan Wu.

KPMG
Taipei, Taiwan (Republic of China)
March 28, 2023

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Only Financial Statements and Report Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Current Assets	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 391,307	8	744,415	15
1120	Current financial assets at fair value through other comprehensive income (Note 6(2))	541	-	642	-
1150	Notes receivable, net (Note 6(3))	26,197	1	6,562	-
1170	Accounts receivable, net (Note 6(3))	265,693	5	101,728	2
1200	Other receivables (Note 6(4))	7,169	-	22	-
1210	Other receivables from related parties (Note 6(4) and (7))	273,009	6	166,080	3
1220	Current tax assets	463	-	221	-
1310	Inventories (Note 6(5))	266,349	5	293,158	6
1470	Other current assets (Note 6(10))	50,917	1	43,766	1
		1,281,645	26	1,356,594	27
	Non-current assets				
1550	Investments accounted for using equity method (Note 6(6))	511,684	11	460,846	9
1600	Property, plant and equipment (Note 6(7) and (8))	2,556,312	52	2,696,662	54
1755	Right-of-use assets (Note 6(8))	25,153	1	28,323	1
1780	Intangible assets (Note 6(9))	1,329	-	2,054	-
1840	Deferred tax assets (Note 6(16))	214,364	4	232,104	5
1915	Prepayments for business facilities	41,809	1	28,408	1
1920	Guarantee deposits paid	44,208	1	44,294	1
1960	Non-current prepayments for investments (Note 6(6))	12,188	-	-	-
1984	Other non-current financial assets, others (Note 8)	215,470	4	111,220	2
1900	Other non-current assets	1,160	-	1,160	-
		3,623,677	74	3,605,071	73
	Total assets	$ 4,905,322	100	4,961,665	100

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	Amount	%	Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note 6(11) and 8)	$ 444,670	9	300,110	6
2151	Notes payable	31,007	1	12,824	-
2170	Accounts payable	12,895	-	7,855	-
2200	Other payables	109,032	2	86,455	2
2220	Other payables to related parties (Note 7)	481	-	476	-
2280	Current lease liabilities (Note 6(14))	15,288	1	15,080	1
2300	Other current liabilities (Note 6(12))	7,077	-	3,992	-
2320	Long-term borrowings, current portion (Note 6(13) and 8)	209,379	4	260,295	5
		829,829	17	687,087	14
	Non-Current liabilities:				
2540	Long-term borrowings (Note 6(13) and 8)	1,335,488	27	1,503,753	30
2570	Deferred tax liabilities (Note 6(16))	4,031	-	-	-
2580	Non-current lease liabilities (Note 6(14))	9,992	-	13,616	-
2640	Net defined benefit liability (Note 6(15))	4,861	-	4,224	-
2670	Other non-current liabilities	23,666	1	25,663	1
		1,378,038	28	1,547,256	31
	Total liabilities	2,207,867	45	2,234,343	45
	Equity (Note 6(17))				
3100	Common Stock	1,726,773	35	1,726,773	35
3200	Capital surplus	42,859	1	42,859	1
3300	Retained earnings	908,736	19	1,025,157	20
3400	Other equity interest	19,087	-	(67,467)	(1)
	Total equity	2,697,455	55	2,727,322	55
	Total liabilities and equity	$ 4,905,322	100	4,961,665	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenue** (Note 6(19))	$ 1,398,219	100	642,896	100
5000	**Operating costs** (Note 6(5)、(15)、(20))	1,274,049	91	912,071	142
	Gross profit (loss) from operations	124,170	9	(269,175)	(42)
	Operating expenses (Note 6(15)、(20) and 7):				
6100	Selling expenses	128,827	9	54,001	8
6200	Administrative expenses	116,863	8	90,409	14
6300	Research and development expenses	16,585	1	15,674	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (Note 6(3))	4,048	-	(1,634)	-
		266,323	18	158,450	25
	Net operating loss	(142,153)	(9)	(427,625)	(67)
	Non-operating income and expenses:				
7010	Other income (Note 6(21))	4,090	-	24,847	4
7020	Other gains and losses (Note 6(21))	118,281	8	(29,687)	(4)
7050	Finance costs (Note 6(21))	(27,967)	(2)	(20,033)	(3)
7070	Share of losses of associates accounted for using equity method (Note 6(6))	(16,916)	(1)	(14,526)	(2)
7100	Interest income (Note 6(21))	6,955	-	2,802	-
		84,443	5	(36,597)	(5)
7900	**Loss before income tax**	(57,710)	(4)	(464,222)	(72)
7950	**Less: Income tax expenses(benefit)** (Note 6(16))	21,771	2	(92,652)	(14)
	Loss	(79,481)	(6)	(371,570)	(58)
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit obligation (Note 6(15))	(1,069)	-	749	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 6(17))	(1,068)	-	192	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(2,137)	-	941	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements (Note 6(17))	51,751	4	(17,028)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		51,751	4	(17,028)	(2)
8300	**Other comprehensive income (loss) for the period,net of tax**	49,614	4	(16,087)	(2)
8500	**Total comprehensive income for the year**	$ (29,867)	(2)	(387,657)	(60)
	Earnings per share (NT Dollars) (Note 6(18))				
9750	**Basic earnings per share**	$	(0.46)		(2.15)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2021	$ 1,726,773	42,859	359,040	25,586	1,011,352	1,395,978	(15,849)	(34,782)	(50,631)	3,114,979
Loss for the period	-	-	-	-	(371,570)	(371,570)	-	-	-	(371,570)
Other comprehensive income for the period	-	-	-	-	749	749	(17,028)	192	(16,836)	(16,087)
Total comprehensive income for the period	-	-	-	-	(370,821)	(370,821)	(17,028)	192	(16,836)	(387,657)
Appropriation and distribution of retained earnings:										
Special reserve	-	-	-	25,045	(25,045)	-	-	-	-	-
	-	-	-	25,045	(25,045)	-	-	-	-	-
Balance at December 31, 2021	**$ 1,726,773**	**42,859**	**359,040**	**50,631**	**615,486**	**1,025,157**	**(32,877)**	**(34,590)**	**(67,467)**	**2,727,322**
Balance at January 1,2022	$ 1,726,773	42,859	359,040	50,631	615,486	1,025,157	(32,877)	(34,590)	(67,467)	2,727,322
Loss for the period	-	-	-	-	(79,481)	(79,481)	-	-	-	(79,481)
Other comprehensive income for the period	-	-	-	-	(1,069)	(1,069)	51,751	(1,068)	50,683	49,614
Total comprehensive income for the period	-	-	-	-	(80,550)	(80,550)	51,751	(1,068)	50,683	(29,867)
Appropriation and distribution of retained earnings:										
Special reserve	-	-	-	16,836	(16,836)	-	-	-	-	-
	-	-	-	16,836	(16,836)	-	-	-	-	-
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	(35,871)	(35,871)	-	35,871	35,871	-
Balance at December 31, 2022	**$ 1,726,773**	**42,859**	**359,040**	**67,467**	**482,229**	**908,736**	**18,874**	**213**	**19,087**	**2,697,455**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

LI CHENG ENTERPRISE CO.,LTD

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		2022	2021
Cash flows from (used in) operating activities:			
Loss before tax	$	(57,710)	(464,222)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		288,590	371,412
Amortization expense		1,125	1,092
Expected credit (gain)/ Provision for bad debt expense		4,048	(1,634)
Interest expense		27,967	20,033
Interest income		(6,955)	(2,802)
Dividend income		(66)	(16)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		16,916	14,526
Loss on disposal of property, plan and equipment		-	218
Property, plan and equipment transferred to expenses		100	225
Total adjustments to reconcile profit		331,725	403,054
Changes in operating assets and liabilities:			
Changes in operating assets:			
(Increase) decrease in notes receivable		(19,635)	3,211
(Increase) decrease in accounts receivable		(168,013)	77,656
(Increase) decrease in other receivable		(6,814)	4,864
(Increase) decrease in other receivable due from related parties		(106,929)	24,450
Decrease (Increase) in inventories		26,809	(101,734)
Increase in prepayments		(27,348)	(207)
Decrease (increase) in other current assets		20,197	(15,455)
Total changes in operating assets		(281,733)	(7,215)
Changes in operating liabilities:			
Increase (decrease) in notes payable		18,183	(3,490)
Increase in accounts payable		5,040	1,701
Increase (decrease) in other payable		27,334	(22,280)
Increase (decrease) in other payable due from related parties		5	(985)
Increase (decrease) in other current liabilities		3,085	(1,997)
Decrease in other non-current liabilities		(1,997)	(1,990)
Decrease in net defined benefit liabilities		(432)	(395)
Total changes in operating liabilities		51,218	(29,436)
Total changes in operating assets and liabilities		(230,515)	(36,651)
Total adjustments		101,210	366,403
Cash inflow (outflow) generated from operations		43,500	(97,819)
Interest received		6,622	2,797
Dividends received		66	16
Interest paid		(27,553)	(19,888)
Income taxes paid		(242)	(21)
Net cash flows from (used in) operating activities		22,393	(114,915)
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(16,970)	-
Acquisition of investments accounted for using the equity method		-	(288,291)
Increase in prepayments for investments		(12,188)	-
Acquisition of property, plant and equipment		(105,787)	(150,501)
Increase in refundable deposits		86	(391)
Acquisition of intangible assets		(400)	-
Increase in prepayments for business facilities		(30,997)	(15,339)
Decrease in other non-current financial assets		(104,250)	(53,760)
Net cash flows used in investing activities		(270,506)	(508,282)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		290,670	576,510
Decrease in short-term borrowings		(146,110)	(407,270)
Proceeds from long-term borrowings		93,000	510,000
Repayments of long-term borrowings		(312,181)	(271,102)
Payment of lease liabilities		(30,374)	(29,897)
Net cash flows from (used in) financing activities		(104,995)	378,241
Net (decrease) increase in cash and cash equivalents		(353,108)	(244,956)
Cash and cash equivalents at beginning of period		744,415	989,371
Cash and cash equivalents at end of period	$	**391,307**	**744,415**

See accompanying notes to parent company only financial statements.

DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. GENERAL

Li-Cheng Enterprise Co., Ltd (the "Company"), formerly Li-Guan Enterprise Co., Ltd, was incorporated by the Ministry of Economic Affairs, R.O.C., on September 26, 1997. The current registered address is No. 5, Dougong 12th Rd., Douliu City, Yunlin County. In 2001, the Company merged with the former Li-Cheng Enterprise Co., Ltd and changed its name to Li-Cheng Enterprise Co., Ltd. The Company is primarily engaged in the wholesale and retailing of fabric, garments and accessories, spinning, weaving and dyeing and finishing, etc. For details please refer to Note 14.

The ordinary shares of the Company have been listed on the Taiwan Stock Exchange since December 16, 2011.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

These parent company only financial statements were authorized for issuance by the Board of Directors on March 28, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2022:

- Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'
- Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'
- Annual improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3, 'Reference to the conceptual framework'

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 1, 'Disclosure of accounting policies'
- Amendments to IAS 8, 'Definition of accounting estimates'

- Amendments to IAS 12, ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Noncurrent Liabilities with Covenants”	In response to that new information, the Board decided to amend 2020 IAS 1 with respect to classification (as current or non-current), only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its parent company only financial position and parent company only financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 10 and IAS 28, ‘Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture’
- IFRS 17, ‘Insurance Contracts’ and amendments to IFRS 17, ‘Insurance Contracts’
- Amendments to IFRS 17, ‘First time application between IFRS 17 and IFRS 9 – Comparative Information’
- IFRS16, ‘Requirements for Sale and Leaseback Transactions’

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Basis of measurement

Except for the following significant items, the consolidated financial statements have been prepared under the historical cost convention:

a) Financial assets at fair value through other comprehensive income

b) The defined benefit liabilities are measured at fair value of the plan assets less, the present value of the defined benefit obligation, limited as explained in note 4 and 16.

B. Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which it operates. The parent company only financial statements are presented in New Taiwan Dollars (“TWD”), which is the Company’s functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(3) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

a) an investment in equity securities designated as at fair value through other comprehensive income;

b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

c) qualifying cash flow hedges to the extent that the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(4) Classification of current and non-current items

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

a) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is expected to be realized within twelve months after the reporting period; or

d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent. An entity shall classify a liability as current when:

a) It is expected to be settled in the normal operating cycle;

b) It is held primarily for the purpose of trading;

c) It is due to be settled within twelve months after the reporting period; or

d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

c) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, refundable deposit and other financial assets) and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

c) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

d) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates including goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equal or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(9) Investments in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the Company is accounted for preparing the consolidated statement by each period.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

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

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

f. Buildings and structures 3-50 years

g. Machinery and equipment 3-10 years

h. Transportation equipment 2-5 years

i. Office equipment 2-8 years

j. The significant components of buildings and their estimated useful lives are as follows:

Components	Estimated useful lives
Buildings:	
Buildings / Plants	35-50 years
Water supply works	15 years
Drainage works	15 years
Others	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(11) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company’ s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;

b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c) amounts expected to be payable under a residual value guarantee; and

d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

a) there is a change in future lease payments arising from the change in an index or rate; or

b) there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or

c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

d) there is a change of its assessment on whether it will exercise an extension or termination option; or

e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including business equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(12) Intangible assets

A. Recognition and measurement

Except for goodwill, intangible assets are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

Software 3-7 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units（CGUs）.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

a) Sale of goods

The Company was engaged in the dyeing and finishing of textile fabric and sold to footwear manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers cash discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated cash discounts. The estimated of the amount of cash discount is based on contract, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Rebate are provided to customers by the Company for overdue delivery. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated freight charges. Accumulated experience is used to estimate the freight charges and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, all the payment of the freight charges paid under overdue delivery is recognized under return liabilities.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

b) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

B. Contract costs

a) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

(ii) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(15) Government grants

The Company recognizes an unconditional government grant related to salaries, working capital and electricity in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest income on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainly related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

a) the same taxable entity; or

b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(18) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as the estimated of employee compensation.

(19) Operating segments

The company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these parent company only financial statements in conformity with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

A. Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumption as to future demand within a specific time horizon. Due to the future demand of different product, there may be significant changes in the net realizable value of inventories. Please refer to note 6(5) for further description on the valuation of inventories.

B. Impairment assessment on property, plant and equipment (including right-of-use asset)

In the process of evaluating the potential assets, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

6. EXPLANATION OF MAJOR ACCOUNTING ITEMS

(1) Cash and cash equivalents

		December 31, 2022	December 31, 2021
Cash and cash on hand	$	365	394
Checking and demand deposits		252,747	744,021
Time deposits		138,195	-
Cash and cash equivalents in the statement of cash flows	**$**	**391,307**	**744,415**

Please refer to note 6(22) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities.

(2) Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income - current		
Listed shares of domestic company - China Steel Corporation	$ 541	642

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

As at August 22, 2022, since the Company completed the conversion of the convertible bonds and had a significant impact on Dyecoo Textile Systems B.V., the additional acquisition cost of $16,970 thousand in 2022 was reclassified from equity instruments measured at fair value through other comprehensive income to investments accounted for using the equity method. The fair value on reclassification was $16,003 thousand and the cumulative valuation loss was $35,871 thousand. The loss has been transferred to retained earnings.

The Company did not dispose any strategic investment in 2021, and the accumulated profits and losses during the period were not transferred in equity.

For credit risk and market risk, please refer to Note 6(22).

The aforementioned financial assets were not pledged as collateral.

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable - from operating activities	$ 26,197	6,562
Accounts receivable - measured at amortized cost	$ 271,106	103,093
Less: Loss allowance	(5,413)	(1,365)
	$ 265,693	101,728

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 273,061	1.03%	2,859
1 to 29 days past due	23,616	8.66%	2,045
30 to 60 days past due	87	44.77%	38
61 to 90 days past due	518	86.84%	450
More than 91 days past due	21	100%	21
	$ 297,303		5,413

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 103,557	0.18%	190
1 to 29 days past due	5,255	7.18%	377
30 to 60 days past due	83	45.55%	38
61 to 90 days past due	-	100%	-
More than 91 days past due	760	100%	760
	$ 109,655		1,365

The movement in the allowance for notes, accounts receivable was as follows:

	2022	2021
Balance at January 1	$ 1,365	2,999
Impairment losses recognized (reversed)	4,048	(1,634)
Balance at December 31	$ 5,413	1,365

The aforementioned notes and accounts receivable were not pledged as collateral or restricted in any way.

For further credit risk information, please refers to note 6(22).

(4) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	$ 7,169	22
Other receivables – borrowing to subsidiaries	261,035	166,080
Other receivables - payments on behalf of subsidiaries	11,974	-
	$ 280,178	166,102

For further credit risk information, please refers to note 6(22).

(5) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 56,918	58,918
Work in process	162,934	182,157
Finished goods	46,497	52,083
	$ 266,349	**293,158**

The details of the cost of goods sold are as follows:

	2022	2021
Cost of goods sold	$ 1,190,071	729,095
Provision for inventory devaluation loss	(56,750)	49,503
Unallocated production overheads	108,736	123,429
Inventory scrap loss	35,942	11,845
Others	(3,950)	(1,801)
Total	**$ 1,274,049**	**912,071**

As at December 31, 2022 and 2021, the Company’s inventories were not pledged as collateral.

(6) Investments accounted for using equity method

A summary of the Company’s financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Subsidiaries	$ 491,207	459,751
Associates	20,477	1,095
	$ 511,684	**460,846**

A. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2022.

B. Associates

As at December 31, 2022 and 2021, there is no disclosure of the value of the investments in associates by the Company.

On August 22, 2022, the fair value transferred from equity instruments measured at fair value through other comprehensive income or loss was $16,003 thousand due to the Company had a significant impact on Dyecoo Textile Systems B.V.

The share of the profit and loss of the associates attributable to the Company for the years ended December 31, 2022 and 2021 was summarized as follow:

	2022	2021
Share of profits of associates	**$ 1,426**	**-**

Summarized financial information for investments in associates is as follows (before being adjusted to the Company's proportionate share):

	December 31, 2022	December 31, 2021
Total assets	$ 234,293	5,297
Total liabilities	(110,163)	(1)
	$ 124,130	**5,296**

	2022	2021
Revenue	$ 23,769	-
Net loss	**$ (11,251)**	**-**

C. Prepayment for investments

On December 15, 2022, the Company made a prepayment of $12,188 thousand for the shares Chongqing Fenghwa Group Co., Ltd., which had not yet been established as of December 31, 2022

D. Collateral

As at December 31, 2022 and 2021, the Company's investments accounted for using equity method were not pledged as collateral.

(7) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office and other equipment	Construction in process and testing equipment	Total
Cost:							
Balance at January 1, 2022	$ 880,293	1,088,645	2,871,926	20,836	96,379	639,645	5,597,724
Additions	-	7,606	12,223	548	18,396	61,843	100,616
Disposals	-	-	-	-	(1,522)	-	(1,522)
Reclassification	-	11,722	114,362	900	942	(110,430)	17,496
Balance at December 31, 2022	$ 880,293	1,107,973	2,998,511	22,284	114,195	591,058	5,714,314
Balance at January 1, 2021	$ 880,293	984,088	2,680,819	20,928	88,813	608,910	5,263,851
Additions	-	13,504	5,549	-	5,144	131,176	155,373
Disposals	-	(1,224)	-	(92)	(1,850)	-	(3,166)
Reclassification	-	92,277	185,558	-	4,272	(100,441)	181,666
Balance at December 31, 2021	$ 880,293	1,088,645	2,871,926	20,836	96,379	639,645	5,597,724
Accumulated depreciation:							
Balance at January 1, 2022	$ -	401,868	2,400,045	17,796	81,353	-	2,901,062
Depreciation	-	57,528	193,555	1,100	6,279	-	258,462
Disposals	-	-	-	-	(1,522)	-	(1,522)
Balance at December 31, 2022	$ -	459,396	2,593,600	18,896	86,110	-	3,158,002
Balance at January 1, 2021	$ -	345,642	2,122,079	16,428	77,894	-	2,562,043
Depreciation	-	57,232	277,966	1,460	5,309	-	341,967
Disposals	-	(1,006)	-	(92)	(1,850)	-	(2,948)
Balance at December 31, 2021	$ -	401,868	2,400,045	17,796	81,353	-	2,901,062
Carrying value:							
Balance at December 31, 2022	$ 880,293	648,577	404,911	3,388	28,085	591,058	2,556,312
Balance at January 1, 2022	$ 880,293	638,446	558,740	4,500	10,919	608,910	2,701,808
Balance at December 31, 2021	$ 880,293	686,777	471,881	3,040	15,026	639,645	2,696,662

A. Details of collateral for borrowing and guaranteed financing, please refer to Note 8.

B. Impairment loss

The Group performed impairment assessment on property, plant and equipment at its fair price on December 31, 2022 and 2021.

(8) Right-of-use assets

The Company leases buildings. Information about leases for which the Company as a lessee was presented below:

		Buildings and structures
Cost:		
Balance at January 1, 2022	$	113,636
Additions		26,958
Disposals		-
Balance at December 31, 2022	**$**	**140,594**
Balance at January 1, 2021	$	79,363
Additions		34,273
Disposals		-
Balance at December 31, 2021	**$**	**113,636**
Accumulated depreciation:		
Balance at January 1, 2022	$	85,313
Depreciation for the year		30,128
Balance at December 31, 2022	**$**	**115,441**
Balance at January 1, 2021	$	55,868
Depreciation for the year		29,445
Balance at December 31, 2021	**$**	**85,313**
Carrying amount:		
Balance at December 31, 2022	**$**	**25,153**
Balance at January 1, 2021	**$**	**23,495**
Balance at December 31, 2021	**$**	**28,323**

(9) ntangible assets

The costs and amortization of the intangible assets of the Company for the years ended December 31,2022 and 2021 were as follows:

		Software
Costs:		
Balance at January 1, 2022	$	25,177
Additions		400
Balance at December 31, 2022	**$**	**25,577**
Balance at January 1, 2021 (same as Balance at December 31, 2021)	**$**	**25,177**
Accumulated amortization:		
Balance at January 1, 2022	$	23,123
Amortization for the year		1,125
Balance at December 31, 2022	**$**	**24,248**
Balance at January 1, 2021	$	22,031
Amortization for the year		1,092
Balance at December 31, 2021	**$**	**23,123**
Carrying value:		

Balance at December 31, 2022	**$ 1,329**
Balance at January 1, 2021	**$ 3,146**
Balance at December 31, 2021	**$ 2,054**

A. Amortization

The amortization of intangible assets is included in the statement of comprehensive income:

	2022	**2021**
Operating cost	$ 85	85
Operating expense	1,040	1,007
	$ 1,125	**1,092**

B. Collateral

As of December 31, 2022 and 2021, the intangible assets of the Company were not pledged as collateral.

(10) Other current assets

The details of other current assets were as follows:

	December 31, 2022	**December 31, 2021**
Prepaid expenses	$ 25,917	19,108
Prepayment for purchases	23,305	2,765
Others	1,695	21,893
	$ 50,917	**43,766**

(11) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2022	**December 31, 2021**
Unsecured bank loans	$ 100,000	100,000
Secured bank loans	344,670	200,110
Total	**$ 444,670**	**300,110**
Unused credit lines	**$ 420,330**	**578,800**
Range of interest rates	**1.3318%~1.46%**	**0.82%~0.95%**

Assets pledged are disclosed in Note 8.

(12) Other current liabilities

The details of other current liabilities were as follows:

		December 31, 2022	December 31, 2021
Refund liabilities	$	2,259	808
Contract liabilities - unearned sales revenue		3,359	1,521
Receipts under custody		1,459	1,663
	$	7,077	3,992

The refund liabilities are mainly the estimated amount of compensation due overdue delivery to customers.

(13) Long-term borrowings

The details of long-term borrowings were as follows:

	December 31, 2022				
	Currency	Range of interest rates	Expiration		Amount
Secured bank loans	TWD	1.4%~1.915%	2024.4.1-2041.4.21	$	1,544,867
Less: Current portion					(209,379)
Total				$	1,335,488
Unused credit lines				$	100,000

	December 31, 2021				
	Currency	Range of interest rates	Expiration		Amount
Secured bank loans	TWD	0.9%~1.29%	2022.1.18~2041.4.21	$	1,764,048
Less: Current portion					(260,295)
Total				$	1,503,753
Unused credit lines				$	100,000

Assets pledged are disclosed in Note 8.

(14) Lease liabilities

The carrying value of lease liabilities was as follows:

		December 31, 2022	December 31, 2021
Current	$	15,288	15,080
Non-current	$	9,992	13,616

For the maturity analysis, please refer to note 6(22).

The amounts recognized in profit or loss were as follows:

		2022	2021
Interest on lease liabilities	$	272	282
Expenses relating to short-term leases	$	348	957
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$	450	394

The amounts recognized in the statement of cash flows for the Company was as follows:

		2022	2021
Total cash outflow for leases	$	31,444	31,530

As of December 31, 2022 and 2021, the Group leases buildings for plants, warehouses and staff dormitory. The lease term of plant is 6 years and warehouses and staff dormitory is 1-3 years.

(15) Employee benefits

A. Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets for the years ended December 31, 2022 and 2021, were as follows:

		December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$	16,338	14,381
Fair value of plan asset		(11,477)	(10,157)
Net defined benefit liability	$	4,861	4,224

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for its employees upon retirement. The plans entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

a) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Company' s contributions to the pension funds were deposited with Bank of Taiwan, which amounted to $11,477 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets including the assets allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31	
	2022	**2021**
Defined benefit obligations at January 1	$ 14,381	15,967
Current service costs and interest cost	73	83
Remeasurement on the net defined benefit liabilities (assets):		
- Actuarial losses (gains) arising from demographic assumptions	70	-
- Actuarial loss (gain) arising from changes in financial assumptions	(1,112)	21
- Experience adjustments	2,926	(639)
Benefits paid	-	(1,051)
Defined benefit obligations at December 31	**$ 16,338**	**14,381**

c) Movements in fair value of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31	
	2022	**2021**
Fair value of plan assets at January 1	$ 10,157	10,599
Interest income	53	56
Remeasurements of the net defined benefit		

assets		
- Actuarial loss (gain) arising from changes in financial assumptions	814	131
Contributions paid by the employer	453	422
Benefits paid	-	(1,051)
Fair value of plan assets at December 31	$ 11,477	10,157

d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31	
	2022	**2021**
Net interest of net liabilities for defined benefit obligations	$ 20	27
Operating costs	$ 16	21
Selling expenses	1	2
Administration expenses	2	3
Research and development expenses	1	1
Total	$ 20	27

e) Actuarial valuations

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2022	**December 31, 2021**
Discount rate	1.15%	0.51%
Future salary increase rate	1.50%	1.50%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $467 thousand.

The weighted average lifetime of the defined benefit plans is 3 years.

f) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2022 and 2021.

Influences of defined benefit

		obligations	
		Increase 0.5%	Decrease 0.5%
December 31, 2022			
Discount rate	$	(917)	990
Future salary increasing rate		896	(842)
December 31, 2021			
Discount rate	$	(879)	953
Future salary increasing rate		864	(808)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $13,593 and $13,525 for the years ended December 31, 2022 and 2021, respectively.

(16) Income taxes

A. Income tax expense (benefit)

The components of income tax expenses (benefit) in the years 2022 and 2021 were as follows:

		2022	2021
Current tax expense (benefit)			
Current period	$	-	-
Adjustment for prior periods		-	-
Additional surtax on unappropriated earnings		-	-
		-	-
Deferred tax expense (benefit)			

Origination of temporary differences	21,771	(92,652)
Income tax expenses (benefit)	$ 21,771	(92,652)

The Company has no income tax expenses recognized in other comprehensive income for the years 2022 and 2021.

Reconciliation of income tax expenses and profit before tax for 2022 and 2021 were as follows.

	2022	2021
Loss before tax	$ (57,710)	(464,222)
Income tax using the Company's domestic tax rate	$ (11,542)	(92,844)
Dividend income	(13)	(3)
Income from government grants	-	(2,667)
Other tax effect generated from adjustment of tax rule	(80)	(43)
Tax effect of investment loss generated from investment accounted for using equity method	3,383	2,905
Current-year losses for which no deferred tax asset was recognized	30,023	-
Total	$ 21,771	(92,652)

B. Deferred tax assets and liabilities

a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2022	December 31, 2021
Temporary differences associated with investments in subsidiaries	$ 81,418	64,502
Tax losses	$ 150,113	-
Total of unrecognized deferred tax assets	$ 46,306	12,900

Since the Company considered it is probable that the temporary differences will not reverse in the foreseeable future, the temporary differences will not been recognized as deferred income tax assets.

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax losses	Expiry date
2020	$ 128,200	2030
2021	21,913	2031
	$ 150,113	

b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred Tax Assets

	Provision for inventory devaluation loss	Tax loss carryforward	Long-term deferred revenue	Others	Total
Balance at January 1, 2022	$ 105,871	111,347	5,129	9,757	232,104
Recognized in profit or loss	(11,351)	-	(399)	(5,990)	(17,740)
Balance at December 31, 2022	**$ 94,520**	**111,347**	**4,730**	**3,767**	**214,364**
Balance at January 1, 2021	$ 95,970	25,640	5,528	12,314	139,452
Recognized in profit or loss	9,901	85,707	(399)	(2,557)	92,652
Balance at December 31, 2021	**$ 105,871**	**111,347**	**5,129**	**9,757**	**232,104**

Deferred tax liabilities

	Unrealized gains
Balance at January 1, 2022	$ -
Recognized in profit or loss	4,031
Balance at December 31, 2022	**$ 4,031**

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have been recognized in respect of these items because they are probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2022, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax losses	Expiry date
2021	$ 406,624	2031

2022	150,113	2032
	$ 556,737	

C. Assessment of tax

The Company's tax returns for the years through 2020 were assessed by the tax authority.

(17) Capital and other equity interest

As of December 31, 2022, and 2021, all of the authorized common stock of the Company was $2,000,000 thousand, comprising 200,000 thousand shares, with a par value of $10 per share. The issued shares were 172,677 thousand shares. All the capitals were fully received.

Reconciliation of shares outstanding and issued for 2022 and 2021 were as follows:

	Ordinary Share	
Unit: Thousand shares	**2022**	**2021**
Balance at December 31, 2022 (Same as Balance at January 1, 2022)	172,677	172,677

A. Capital surplus

The balance of capital surplus at the reporting date was as follows:

	December 31, 2022	**December 31, 2021**
Additional paid-in capital	$ 32,060	32,060
Treasury shares transactions	837	837
Gain on disposal of assets	3	3
Merger and premium	9,959	9,959
	$ 42,859	42,859

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

B. Retained earnings

The Company's article of incorporation stipulates that Company's after-tax earnings should first be used to offset the prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve until the balance of the legal reserve equals the total authorized capital. Special reserve is also made available in accordance with the operation needs of the Company and statutory requirements. And any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders’ meeting for approval.

The Company’s dividend policy shall be based on considerations of the Company’s current and future investment opportunities, capital requirements, domestic and external competition and the Company's budget, and taking into account the interests of shareholders. The Board of Directors shall, in accordance with the law, prepare a proposal for distribution each year and submit it to the shareholders for approval. In principle, the rate of cash dividends shall not be less than 10% of the proposed dividends to shareholders.

a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders’ meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

b) Special reserve

In accordance with the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other stockholders’ equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders’ equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders’ equity shall qualify for additional distributions.

c) Earning distribution

The deficit compensation for 2021 and 2020 which were approved during the stockholders’ meeting held on June 15, 2022 and July 30, 2021, respectively, were consistent with those of the resolution approved by the Board of Directors.

C. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	$ (32,877)	(34,590)	(67,467)
Foreign currency translation differences (after tax)	51,751	-	51,751
Unrealized losses on financial assets measured at fair value through other comprehensive income	-	(1,068)	(1,068)
Reclassification of cumulative gain or loss on disposal of investments in financial instruments at fair value through other comprehensive income to profit or loss	-	35,871	35,871
Balance at December 31, 2022	**$ 18,874**	**213**	**19,087**
Balance at January 1, 2021	$ (15,849)	(34,782)	(50,631)
Foreign currency translation differences (after tax)	(17,028)	-	(17,028)
Unrealized profits on financial assets measured at fair value through other comprehensive income	-	192	192
Balance at December 31, 2021	**$ (32,877)**	**(34,590)**	**(67,467)**

(18) Earnings per share

The calculation of basic earnings per share in 2022 and 2021 were as follows:

A. Profit (loss) attributable to common shareholders of the Company

Unit of share: thousand

	2022	2021
Loss attributable to common shareholders of the Company	**$ (79,481)**	**(371,570)**

B. Weighted-average number of shares

	2022	2021
Weighted-average number of shares	**172,677**	**172,677**

The Company are loss in 2021 and 2020 and there is no dilution effect.

(19) Revenue from contracts with customers

A. Disaggregation of revenue

		2022	2021
Primary geographical markets			
Taiwan	$	448,769	296,616
Vietnam		196,502	157,225
China		410,965	115,844
Others		341,983	73,211
	$	1,398,219	642,896

		2022	2021
Major products/services lines:			
Finished fabric	$	1,387,644	623,745
Raw yarn		2,757	4,875
Panhead yarn		164	658
Others		7,654	13,618
Total	$	1,398,219	642,896

B. Contract balances

		December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	$	26,197	6,562	9,773
Accounts receivable	$	271,106	103,093	180,749
Less: Loss allowance		(5,413)	(1,365)	(2,999)
	$	265,693	101,728	177,750
Contract liabilities - unearned sales revenue	$	3,359	1,521	209

For details on notes and accounts receivable and allowance for impairment, please refer to note 6(3).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were $1,501 and $209 thousand, respectively.

Contract liabilities mainly arise from the advance receipts from sales of finished fabrics. The Company will recognize revenue when the goods are transferred to customers.

(20) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 2% of the remaining profit for distribution to employees as remuneration and no more than 5% of the remaining profit for distribution to directors as remuneration. The Company shall set aside not less than 2% of the remuneration of the Supervisor before the establishment of the Audit Committee. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific qualifications.

Because the Company incurred a net loss for the years ended December 31, 2022 and 2021, compensation to employees and directors were not accrued.

For related information about the Company’s compensation to employees and directors will be available at the Market Observation Post System website.

(21) Non-operating income and expenses

A. Interest income

The details of interest income for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Interest from bank deposits	$ 5,028	703
Other interest income	1,927	2,099
	$ 6,955	**2,802**

B. Other income

The details of other income for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Government grants	$ -	13,333
Dividends	66	16
Others	4,024	11,498
	$ 4,090	**24,847**

C. Other gains and losses

The details of other gains and losses for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Foreign exchange gains (losses)	$ 118,281	(29,469)
losses on disposals of property, plant and equipment	-	(218)
	$ 118,281	**(29,687)**

D. Finance costs

The details of finance costs for the years ended December 31, 2022 and 2021 were as follows:

		2022	2021
Interest expenses			
Bank borrowings	$	(27,695)	(19,751)
Lease liabilities		(272)	(282)
	$	(27,967)	(20,033)

(22) Financial instruments

A. Credit risk

a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2022 and 2021, the maximum amount exposed to credit risk were $1,222,688 thousand and $1,173,927 thousand, respectively.

b) Concentration of credit risk

To minimize credit risk, the Company periodically evaluates their financial positions and requests collateral if deemed necessary. As of December 31, 2022 and 2021, four customers accounted for 52% and 54% respectively of accounts receivable resulted in concentration of credit risk.

c) Credit risks of receivables and debt securities

Please refer to note 6(3) for credit risk information on notes and accounts receivables.

Other financial assets at amortized cost include other receivables, refundable deposit and other financial assets. The impairment provision recognized during the period was limited to 12 months expected credit losses. There is no loss allowance for the period ended December 31, 2022 and 2021, hence no losses are recognized.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022						

Non-derivative financial liabilities						
Bank borrowings with floating interest rates	$ 1,989,537	2,164,775	899,003	614,820	443,383	207,569
Notes and accounts payable	43,902	43,902	43,902	-	-	-
Other payables (including related parties)	109,513	109,513	109,513	-	-	-
Lease liabilities	25,280	25,483	15,427	6,956	3,100	-
	$ 2,168,232	2,343,673	1,067,845	621,776	446,483	207,569
December 31, 2021						
Non-derivative financial liabilities						
Bank borrowings with floating interest rates	$ 2,064,158	2,194,820	848,462	625,664	549,557	171,137
Notes and accounts payable	20,679	20,679	20,679	-	-	-
Other payables (including related parties)	86,931	86,931	86,931	-	-	-
Lease liabilities	28,696	28,997	15,254	7,227	6,516	-
	$ 2,200,464	2,331,427	971,326	632,891	556,073	171,137

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

a) Exposure to foreign currency risk

The Company’s significant exposure to foreign currency risk was as follows:

	December 31, 2022			December 31, 2021		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 25,752	30.71	790,844	32,383	27.68	896,361
EUR	910	32.72	29,775	1,837	31.32	57,535

b) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and financial assets at fair value through other comprehensive income, that are denominated in foreign currency. As of December 31, 2022 and 2021, when the exchange rate of the NTD versus the foreign currency increase or decrease by 5%, given no changes in other factors, profit after tax will increase or decrease by $32,825 thousand and $38,156 thousand, respectively. This analysis was performed on a consistent basis for both periods.

c) Foreign exchange gains and losses on monetary items

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	2022		2021	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
USD	$ 114,576	29.8489	(22,028)	27.9983
EUR	3,705	31.3510	(7,441)	33.1142

D. Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Company's net profit would have decreased or increased by $7,958 thousand and $8,257 thousand for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

E. Fair value of financial instruments

a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and disclosure of fair value information is not required:

	December 31, 2022				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed shares of domestic company	$ 541	541	-	-	541
Financial assets measured at amortized cost					
Cash and cash equivalents	391,307	-	-	-	-

	Carrying amount	Level 1	Level 2	Level 3	Total
Notes and accounts receivable	291,890	-	-	-	-
Other receivables (included related parties)	280,178	-	-	-	-
Refundable deposits	44,208	-	-	-	-
Other financial assets-noncurrent	215,470	-	-	-	-
Subtotal	1,223,053	-	-	-	-
Total	$ 1,223,594	541	-	-	541
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 444,670	-	-	-	-
Long-term borrowings (current portion)	209,379	-	-	-	-
Notes and accounts payable	43,902	-	-	-	-
Other payables (included related parties)	109,513	-	-	-	-
Lease liabilities	25,280	-	-	-	-
Long-term borrowings	1,335,488	-	-	-	-
Total	$ 2,168,232	-	-	-	-

	December 31, 2021				
		Fair Value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income					
Listed shares of domestic company	$ 642	642	-	-	642
Financial assets measured at amortized cost					
Cash and cash equivalents	744,415	-	-	-	-
Notes and accounts receivable	108,290	-	-	-	-
Other receivables (included related parties)	166,102	-	-	-	-
Refundable deposits	44,294	-	-	-	-
Other financial assets-noncurrent	111,220	-	-	-	-
Subtotal	1,174,321	-	-	-	-
Total	$ 1,174,963	642	-	-	642
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 300,100	-	-	-	-
Long-term borrowings (current portion)	260,296	-	-	-	-
Notes and accounts payable	20,679	-	-	-	-
Other payables (included related parties)	86,931	-	-	-	-
Lease liabilities	28,696	-	-	-	-
Long-term borrowings	1,503,752	-	-	-	-
Total	$ 2,200,454	-	-	-	-

b) Valuation techniques for financial instruments not measured at fair value

The carrying amounts of the parent company only financial statements approximate the fair values of the financial instruments, which are not measured at fair value, by the Company as their maturity dates are close to or future receipts and payments are approximate to their carrying amounts.

c) Valuation techniques for financial instruments measured at fair value
non-derivative financial instruments
Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from the exchanges, brokers, underwriters, industrial unions, pricing service agencies or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair values of financial assets with standard terms and conditions and traded in active markets are determined with reference to the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data.

d) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2022 and 2021.

(23) Financial risk management

A. Overview

The Company have exposures to the following risks from its financial instruments:

a. Credit risk

b. Liquidity risk

c. Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying parent company only financial statements.

B. Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as credit risk, currency risk, and interest rate risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

a) Accounts receivable and other receivables

To minimize credit risk, the Company periodically evaluates its financial positions and the possibility of collecting accounts receivable. Besides, the Company monitors and reviews the recoverable amounts of the accounts receivable to ensure the uncollectible amounts.

The Company did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Credit limits are established for each customer, and these limits are reviewed regularly. First-time customers, customers that have not traded for a long period, and customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

b) Investments

The exposure to credit risk for the bank deposits is measured and monitored by the Company's finance department. The Company only deals with banks with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

D. Liquidity risk

The Company manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company' s management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2022 and 2021, the Company's unused credit line were amounted to $520,330 thousand and $599,890 thousand, respectively.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies used in these transactions are the NTD, USD and EUR.

b) Interest rate risk

The Company's borrowings are mainly variable-rate debts and therefore changes in market interest rates will cause a change in its effective interest rates and its future cash flows to fluctuate. The Company reduced its interest rate risk by negotiating interest rates with its bankers from time to time.

c) Other market price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The equity investment is not held for trading but is a strategic investment and the Company regularly monitors the financial position of the issuer of the equity instrument to manage the price risk of the equity instrument and the fund investment.

(24) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As at 31 December 2022, the Company's capital management strategy is consistent with the prior year as of 31 December 2021 to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of 31 December 2022 and 2021, is as follows:

		December 31, 2022	**December 31, 2021**
Total liabilities	$	2,207,867	2,234,343
Less: cash and cash equivalents		(391,307)	(744,415)
Net debt	$	**1,816,560**	**1,489,928**
Total Equity	$	**2,697,455**	**2,727,322**
Total capital	$	**4,514,015**	**4,217,250**
Debt-to-equity ratio		**40.24%**	**35.33%**

(25) Investing and financing activities not affecting current cash flow

The Company acquired right-of-use assets by leases, which is investing and financing activities not affecting current cash flow, for the years ended December 31, 2022 and 2021, please refer to note 6(8).

Reconciliation of liabilities arising from financing activities was as follows:

			Non-cash changes			
	January 1, 2022	**Cash flows**	**Acquisition**	**Foreign exchange movement**	**Fair value changes**	**December 31, 2022**
Long-term borrowings	$ 1,764,048	(219,181)	-	-	-	1,544,867
Short-term borrowings	300,110	144,560	-	-	-	444,670
Lease liabilities	28,696	(30,374)	26,958	-	-	25,280
Total liabilities from financing activities	$ 2,092,854	(104,995)	26,958	-	-	2,014,817

			Non-cash changes			
	January 1, 2021	**Cash flows**	**Acquisition**	**Foreign exchange movement**	**Fair value changes**	**December 31, 2021**
Long-term borrowings	$ 1,525,150	238,898	-	-	-	1,764,048
Short-term borrowings	130,870	169,240	-	-	-	300,110

Lease liabilities	24,320	(29,897)	34,273	-	-	28,696
Total liabilities from financing activities	$ 1,680,340	378,241	34,273	-	-	2,092,854

7. RELATED PARTY TRANSACTION

(1) Names and relationship with related parties

The followings are subsidiaries and other entities that have had transactions with related party during the periods covered in the parent company only financial statements.

Name of related party	Relationship with the Company
Time Leader Investments Ltd.	Subsidiary of the Company
Occupation North Trading Co., Ltd.	Subsidiary of the Company
Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary of the Company

(2) Significant related-party transactions

A. Borrowings to related parties

The details of borrowings to related parties were as follows:

Name of related party	December 31, 2022	December 31, 2021
Li Cheng Enterprise Vietnam Co.,Ltd.	$ 261,035	166,080

The interest rate for unsecured borrowings to related parties were 1.05%-1.20% and 1.05%-1.10% for the years ended December 31, 2022 and 2021, respectively. The interest income were $1,906 thousand and $2,094 thousand for the years ended December 31, 2022 and 2021, respectively.

B. For the years ended December 31, 2022 and 2021, the Company entered into product promotion and after-sales service contracts with Time Leader Investments Ltd. and Occupation North Trading Co., Ltd, which provided services in the Mainland China region and Vietnam. The details of after-sales service expenses and other payables were as follow:

	2022		2021	
	In current period	Balance of Other payables at the end of period	In current period	Balance of Other payables at the end of period
Time Leader Investments Ltd.	$ 55	55	-	-
Occupation North Trading Co.,Ltd.	1,695	426	1,976	476

	$ 1,750	481	1,976	476

C. The other receivables arising from deposits paid on behalf of related parties for the years ended December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Li Cheng Enterprise Vietnam Co.,Ltd.	$ 11,974	-

(3) Transactions with key management

The compensation of key management is as follows:

	2022	2021
Short-term employee benefits	$ 7,258	6,958
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	$ 7,258	6,958

8. PLEDGED ASSETS

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Property, plant and equipment	Guarantee for line of credit for long-term borrowings or short-term borrowings	$ 1,722,846	1,751,101
Time deposits (Other financial assets – noncurrent)	Guarantee for line of credit for short-term borrowings	214,970	110,720
Time deposits (Other financial assets – noncurrent)	Purchase Pledge	500	500
		$ 1,938,316	1,862,321

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The amounts of unrecognized contractual commitments for acquiring property, plant and equipment for the years ended December 31, 2022 and 2021 were $214,552 thousand and $222,773 thousand respectively.

10. LOSSES ON CATASTROPHIC DISASTERS: None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: None.

12. OTHERS

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits						
Salary	269,874	80,143	350,017	214,609	68,752	283,361
Labor and health insurance	27,568	8,409	35,977	27,069	8,461	35,530
Pension	9,779	3,834	13,613	9,711	3,841	13,552
Remuneration of directors	-	-	-	-	5,116	5,116
Others	10,560	2,495	13,055	9,137	1,764	10,901
Depreciation	275,880	12,710	288,590	359,787	11,625	371,412
Amortization	85	1,040	1,125	85	1,007	1,092

The additional information of number of employees and employee benefits in the year 2022 and 2021 was as follows:

	2022	2021
Number of employees	664	707
Number of non-employee directors	7	7
Average employee benefits	$ 628	490
Average employee salary	$ 533	405
Adjustment of average employee salary	29.37%	7.32%
Supervisor's remuneration	$ -	-

The Company’s salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The remuneration of the directors is determined by the Board of Directors on the basis of the value of their participation in and contribution to the Company's operations and reference to the relevant industry level. The remuneration of the directors is no more than 5% of the profit before tax for the year.

Remuneration paid to the Manager and Employee can be divided into three categories, i.e., salaries, bonuses and employee bonuses. The adjustment of duties and salaries, the payment of bonuses and employee compensation are based on reference to the relevant industry level for the salary scale corresponding to their positions and professional abilities, and conduct appraisal twice a year at the mid-term and end of the year. Employee bonuses should remunerate if the Company makes a profit in the year. The actual distribution is not less than 2% of the profit before tax for the year.

The remuneration of the directors and managers is reviewed by the Remuneration Committee and approved by the Board of Directors in accordance with the provisions of the Articles of Association and the Remuneration Policy.

13. ADDITIONAL DISCLOSURES

(5) Information on significant transactions:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2022:

K. Loans to others:

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Actual amount drawn down	Nature of loan	Amount of transactions with the borrower	Amount of transactions with the borrower	Allowance For doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Other receivables	Yes	261,035	261,035	261,035	1.05% - 1.20%	Short-term financing	-	Turnover of operation	-	None	-	269,746	539,491

Note 1: Limit on total loan to others is 20% of the Company's net assets. Limit on loans a single party is 10% of the Company's net assets.

Note 2: Net value represents the amount shown in the most recent financial statements certified by accountants.

L. Provision of endorsements and guarantees to others:

Expressed in thousands of NTD

No.	Endorser/ Guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a (1) single party	(2) Maximum (3) outstanding (4) endorsement	(7) Outstanding (8) endorsement/	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	(11) Ratio of (12) accumulated (13) endorsement/ (14) guarante	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees by subsidiary to parent company
		(20) Company name	Relationship with the endorser/ guarantor										

					/ (5) guarantee (6) amount as of December 31, 2022	(9) guarantee (10) amount at December 31, 2022			e (15) amount to net (16) asset value of (17) the endorser/ (18) guarantor (19) company				
0	The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary	539,491	288,674	288,674	-	-	10.70%	1,078,982	Y	N	N

Note 1: Limit on the Company endorsements/guarantees to others is 40% of the Company’s net assets. Limit on the Company's endorsements/guarantees to a single party is 20% of the Company’s net assets.

Note 2: Net value represents the amount shown in the most recent financial statements certified by accountants.

M. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Expressed in thousands of NTD
thousands of shares

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Note
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Ordinary Shares - China Steel Corporation	-	Financial assets at fair value through other comprehensive profit and loss current	18.167	541	-	541	-

N. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

O. Acquisition of property reaching $300 million or 20% of paid-in capital or more: None.

P. Disposal of property reaching $300 million or 20% of paid-in capital or more: None.

Q. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

R. Receivables from related parties reaching $100 million or 20% of paid-in capital or more:

Expressed in thousands of NTD

Creditor	Counter Party	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Subsidiary	273,009	Note 1	-		-	-

Note1 : Including short-term financing necessary and other receivables from transactions not related to ordinary sales.

S. Derivative financial instruments undertaken for the year ended December 31, 2022: None.

(6) Information on investees:

The followings are the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Expressed in thousands of NTD, USD, EUR, Shares

Name of investor	Name of investee	Location	Major operations	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income(loss) recognized by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	Time Leader Investments Ltd.	Samoa	After sales services	37,882 (US$ 1,200)	37,882 (US$ 1,200)	1,200	100.00%	2,781	(55)	(55)	
The Company	Occupation North Trading Co., Ltd.	Republic of Seychelles	After sales services	7,684 (US$ 250)	7,684 (US$ 250)	250	100.00%	2,192	-	-	
The Company	LITNERTEX CO., LTD.	Taiwan	Supercapacitors, energy modules, mobile power and electric bicycle energy systems	12,630	12,630	1,137	20.67%	1,095	3	-	
The Company	Li Cheng Enterprise Vietnam Co., Ltd.	Vietnam	Spinning, weaving and dyeing finishing	515,038 (US$ 17,390)	515,038 (US$ 17,390)	責任有限	100.00%	486,234	(18,287)	(18,287)	
The Company	Dyecoo Textile Systems B.V.	Netherlands	Anhydrous dyeing development	51,875 (EUR$ 1,500)	0	24,770	23.33%	19,382	(11,254)	1,426	

(7) Information on investment in Mainland China: None.

(8) Major shareholders:

Expressed in Share

Shareholder's Name	Shares	Percentage
TOPRISE INVESTMENTS LIMITED	24,565,564	14.22%
Wenyao Hong	15,392,323	8.91%
Ruying You	15,081,722	8.73%
YI HE INVESTMENTS LIMITED	14,219,549	8.23%

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustor of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

14. SEGMENT INFORMATION

Please refer to the consolidated financial statement for the year ended December 31, 2022.

Li-Cheng Enterprise Co., Ltd

Chairman: Hung, Wen-Yao